

Empirical Analysis of USDOT's Local Labor Hiring Pilot Program

By Christy Veeder, PhD
with contributions by Madeline Janis, Esq.



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FOREWORD

The COVID-19 pandemic has left too many Americans out of work through no fault of their own. Across the country, people are struggling to put food on the table, pay their bills, and keep a roof over their heads. Creating good jobs in every community, especially the communities of color hit hardest by the dual health and economic crises we face, will be critical to our national recovery.

Putting a focus on infrastructure projects, and making sure that local workers are hired for projects being done in their neighborhoods, will help us rebuild our communities and improve the economic status of those communities at the same time. Our legislation, the Build Local, Hire Local Act, will help avoid repeating the harmful mistakes of the past that saw highway construction—everywhere from Los Angeles to Syracuse—divide communities of color, cutting local economies in half. The legislation would also create a comprehensive set of reforms to raise wages and labor standards, strengthen unions, invest in American manufacturing, and create new opportunities for Americans who are struggling to get high-quality jobs.

As we continue to focus on our national recovery, we should take every step possible to spur job creation and get people back to work. As this study shows, ensuring local projects hire local workers is one important step we can take to improve equity for workers, build local economies back better and stronger, and help every community thrive.

- Sen. Kirsten Gillibrand and Rep. Karen Bass

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Abstract

We provide a short history of local hire policy and the US Department of Transportation’s (USDOT) Local Labor Hiring Pilot (LLHP) program, which ran from 2015 to 2017 and was the first federal program to collect data on competitive bidding for construction projects using local hire. We examine data from the LLHP to assess potential impacts that local hire may have on the number of bidders and price in a competitive procurement. Our analysis indicates that (a) use of local hire provisions does not result in decreased market participation by potential bidders, and (b) there is no systematic difference in bid amounts between the local hire and nonlocal hire projects examined. A qualitative discussion of local hire from the viewpoints of state and local agencies offers perspectives on the benefits that local hire programs offer to regional communities. Case studies of the Colorado Department of Transportation (CDOT) and the Los Angeles County Metropolitan Transportation Authority (LA Metro) illustrate a range of approaches that agencies can take in designing local hire programs.

Introduction and Background on the Local Labor Hiring Pilot Program

Local hire programs, in which public funds are used to hire local workers on construction or development projects, are a topic of longstanding interest in labor and procurement policy. The general arguments for using local hire goals or incentives—which resonate especially strongly during economic downturns—are that these programs create job opportunities for local constituents and that money earned by those workers strengthens local economies by channeling resources back into their communities. Local hire programs can also help communities address historic inequities by creating on-ramps to construction careers for low-

income workers, who are more likely to be people of color.

Since the 1980s, the main federal policy debate has centered on whether the benefits of contracting provisions that are not essential to the bidder’s performance of work (like local hire) outweigh any potential harms.¹ This question was addressed in a 1986 opinion from the Department of Justice’s Office of Legal Council (OLC). Through an interpretation of a provision in the Federal Aid Highway Act, 23 USC §112(b), the OLC concluded that a New York City law that gave preference to bidders that did not have investments in the apartheid state of South Africa created a “burden” on competition, in violation of Section 112.2 This ruling later formed the basis of the Common Grant Rule’s section on competition,² CFR part 200.319(c),³ which prohibits “the use of in-state or local geographic preferences in the evaluation of bids or proposals,”⁴ although no empirical evidence was ever cited to demonstrate that local hire would impact competition.⁵

In 2007, however, the Sixth Circuit Court published a decision in a case involving a Cleveland ordinance requiring that 20 percent of worker hours on construction projects be

¹ Department of Transportation; Office of the Secretary; Contracting Initiative; 80 Fed. Reg. 12,258 (March 6, 2015).

² Compatibility of New York City Local Law 19 with Federal Highway Act Competitive Bidding Requirements, 10 Op. O.L.C. 101 (1986). A forthcoming analysis by UCLA Law Professor Scott Cummings and JMA’s legal team questions the legitimacy of this ruling overall and in relation to the prohibition on local hire.

³ See 2 CFR part 200.319 (c).

⁴ Department of Transportation; Office of the Secretary; Geographic-Based Hiring Preferences in Administering Federal Awards; 80 Fed. Reg. 12,092 (March 6, 2015). This prohibition was later applied to all Federal agencies through the creation of the OMB Uniform Guidance (2 CFR part 200 et. seq.)

⁵ “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments,” Friday, March 11, 1988, 53 Federal Register 8034-01, 1988 WL 274694 (F.R.). The notice mentions that “one commenter believed [the local hire prohibition] should not be imposed without a study detailing the results of the prohibition.”

performed by city residents.⁶ The court found that the federal government’s application of the competitive bidding language in 2 CFR part 200 should have been limited to an evaluation of the process of competitive bidding (for example, whether the full terms of the project are available to all bidders at all times) rather than the substance of bid specifications.⁷ In 2013, the OLC slightly clarified its earlier position in a memorandum stating that “[a] state or local requirement that has only an incidental effect on the pool of potential bidders or that imposes reasonable requirements related to the performance of the necessary work” would not unduly limit competition and that “a requirement that has more than an incidental effect on the pool of potential bidders and does not relate to the work’s performance would unduly limit competition unless it promotes the efficient and effective use of federal funds.”⁸

Because of advocacy from mayors, unions, and community and civil rights groups, the Obama–Biden DOT announced in 2015 that the agency would launch a pilot program under the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) to assess whether local hire contracting requirements could be used by state and local recipients of federal grant money in ways that constituted an “efficient and effective” use of federal funds. As described in the *Federal Register*,

Recipients and subrecipients may request [FHWA and FTA] to permit the use of a particular contracting requirement that otherwise may be found to be inconsistent with the general requirement for full and open competition. DOT is particularly interested in contracts for which recipients and subrecipients wish to utilize a local or other geographic labor hiring preferences, economic-based labor hiring preferences

(i.e., low-income workers), and labor hiring preferences for veterans because, in the DOT’s view, such requirements can promote Ladders of Opportunity by ensuring that disadvantaged workers in the communities in which the projects are located benefit from the economic opportunities such projects present.⁹

In the same issue of the Federal Register, DOT also posted a notice of proposed rulemaking to gather input on its proposal to amend the Code of Federal Regulations (2 CFR part 1201) to “[make] clear that geographic hiring preferences may be used in DOT grant programs” so that communities could “be in a better position to leverage Federal and State and local funds into local jobs and economic growth.”¹⁰

Results of the Pilot Program and Analysis of Competition

In this section, we use data from the LLHP to examine the ways in which local hire may or may not impact the number of bidders and price in a competitive procurement. DOT’s pilot program—referred to as Special Experimental Project No. 14 (SEP-14) and also as the Local Labor Hiring Pilot Program¹¹—was initially proposed to run for one year. It was extended twice before being withdrawn by the Trump administration in October 2017, ostensibly due to lack of interest. Between 2015 and 2017, however, nineteen states and localities submitted applications to participate in the pilot program, and all the applications were approved.¹²

Recipients were given a fair amount of latitude in how they incentivized or required bidders to hire

⁶ *City of Cleveland v. Ohio*, 508 F.3d 827 (6th Cir. 2007).

⁷ *ibid.* Although the Sixth Circuit invalidated the Cleveland local hire law for other reasons, this dicta is important since it clearly contradicted the previous DOT analysis that local hire is unlawful under the Federal Aid Highway Act.

⁸ Competitive Bidding Requirements Under the Federal-Aid Highway Program, 23 U.S.C. 112, (Aug. 23, 2013).

⁹ Department of Transportation; Office of the Secretary; Contracting Initiative; 80 Fed. Reg. 12,258 (March 6, 2015).

¹⁰ Department of Transportation; Office of the Secretary; Geographic-Based Hiring Preferences in Administering Federal Awards; 80 Fed. Reg. 12,092 (March 6, 2015).

¹¹ Special Experimental Project No. 14 - Local Labor Hiring Pilot Program and Livability Initiative Pilot Program Project List, Federal Highway Administration, https://www.fhwa.dot.gov/construction/cqit/sep14local_projects.cfm

¹² In addition to the LLHP, a provision in the FY16 federal appropriations bill suspended the enforcement of the FTA’s prohibition on local hire for one year. During that time, agencies were allowed to use local hire with FTA funds without asking for permission or formally applying to SEP-14. There is no data on how many agencies used local hire with FTA funds during this one-year allowance period.

local workers. To provide a sense of the range of mechanisms that recipients used to encourage local hire, below are some excerpts from the submitted reports:¹³

- The contractor will receive an incentive of \$5 per hour for hours worked by 1) residents of areas with an unemployment rate greater than 8%, 2) residents of areas that have a high concentration of poverty, and 3) veterans that reside in the County, not to exceed \$150,866.65 ... total for all three categories. (Minnesota DOT)
- The Contractor shall be reimbursed \$5.00 per hour incentive for each hour of work performed by qualified local/veterans on the project in excess of 20% of total Prevailing Wage hours, not to exceed the amount of \$50,000.00 in the totality for the project. (California, San Bernardino Associated Governments)
- The [Sports & Exhibition Authority] recognizes the importance of encouraging hiring of persons residing in distressed neighborhoods which have been targeted for redevelopment projects. The SEA LLHP ... targets hiring of persons in the Greater Hill District neighborhoods ("Neighborhoods") for the projects SEA undertakes in the Lower Hill ... The provisions require the contractor to make a good faith effort to provide that 20% of all project work hours that are performed by Pennsylvania residents are performed by residents of the Neighborhoods. (Pennsylvania - Sports & Exhibition Authority of Pittsburgh and Allegheny County)
- The LLHP provision approved under SEP-14 for this project stipulates that 15% of all contract labor hours be performed by residents of the area surrounding the project. (Texas DOT)

Although most recipients that submitted reports to DOT did not include a final assessment of the completed projects, the information relating to bidding processes contained in some of the available reports included data on the agency's local hire project and at least one comparable nonlocal hire project that were sufficient for empirical analysis. The pairs of projects that we analyzed are shown in Table 1. Each pair consists of a local hire project and a nonlocal hire project. In some cases, for purposes of comparison, recipients submitted information to DOT on multiple nonlocal hire projects. These comparison projects were sometimes characterized by a range of project sizes (in terms of project cost), time frames (when the project took place), and scopes of work. To obtain the most robust apples-to-apples comparison, in these cases we used data from the nonlocal hire project that was the closest match to the local hire project in terms of time frame, project size, and scope of work. Information on specific bidders, bid amounts, time frames, and scopes of work was not always included in the documentation available on the DOT website and was obtained through direct outreach to staff at recipient agencies or from other publicly available sources. All data used for this report are provided in the appendix.

Included in these projects was a construction project from the Pennsylvania DOT submitted in 2013 for an earlier version of SEP-14 that allowed recipients to finance construction work by combining grant money from both FHWA and the US Department of Housing and Urban Development. 14 Our analysis also included a project from the Chicago Transit Authority; this project was not done under the auspices of SEP-14 but was possible due to a one-year suspension of the FTA's local hire prohibition in the FY16 federal appropriations bill. The Chicago Transit Authority took this opportunity to create a construction project with local hire that was comparable in all respects to the other SEP-14 projects.

¹³ Descriptions of local hire preferences for all projects are available on the USDOT's Construction Program Guide web page: https://www.fhwa.dot.gov/construction/cqit/sep14local_projects.cfm

¹⁴ Several of the other pilot projects listed in the USDOT's Construction Program Guide also participated in this version of SEP-14.

STATE	AGENCY	LOCAL HIRE PROJECT NAME	NONLOCAL HIRE PROJECT NAME
California	San Bernardino Associated Governments	I-10/Pepper Avenue Interchange	I-10 Citrus Interchange
Colorado	Colorado DOT (local hire project); Denver Regional Transportation District (nonlocal hire project)	Central 70 Project: I-70 from Brighton Boulevard to Chambers Road	Eagle Public-Private Partnership Project
Illinois	Chicago Transit Authority	South Mainline Garfield Gateway Station Renovation	O'Hare Line–Belmont and Jefferson Park Stations Intermodal Improvements
Maryland	Baltimore City DOT	Reconnecting of West Baltimore/Fulton Avenue Bridge over US 40	TR 12303, Resurfacing Highways at Various Locations Southwest
Minnesota (1)	Minnesota DOT	County State Aid Highway (CSAH) 81 Reconstruction—Bottineau Boulevard	CSAH 81 from Lowry Avenue to TH 100
Minnesota (2)	Minnesota DOT	Highway 169 between Highway 55 and just north of Highway 62	SP 6283-234
Pennsylvania (1)	Sports & Exhibition Authority of Pittsburgh and Allegheny County	Lower Hill Infrastructure—Element II-C Centre Avenue and Street I Intersection Reconstruction	Chuck Noll Way Street Reconstruction
Pennsylvania (2)	Pennsylvania DOT	Main Street Improvements (re-let of nonlocal hire project)	Main Street Improvements
Texas	Texas DOT	S. M. Wright Project (re-let of nonlocal hire project)	S. M. Wright Project (US 175 from Bexar Street to IH 45 in Dallas)

Table 1. Summary of Projects Considered

In terms of cost, the projects we analyzed ranged from less than \$1 million to more than \$1 billion, with the largest local hire project being CDOT's Central 70. Because this project was the largest that CDOT had ever undertaken, the agency provided nonlocal hire projects from other Colorado agencies (including the \$2.2 billion Eagle Public-Private Partnership from the Denver Regional Transportation District) for purposes of comparison in the materials it submitted to USDOT. This interagency comparison was acceptable to USDOT, and we have included this pair of projects in our analysis as well.

For the nine project pairs, we focused on whether the use of local hiring preferences resulted in a decrease in the number of bidders or an increase in the contract price—the two criteria

that were determined as central to assessing competition in procurement in a 2016 study by Scott Cummings of UCLA Law School, based on the analysis in the 2013 OLC opinion described above.¹⁵ In some cases, we conducted outreach to recipient agencies to collect data needed to supplement information provided in the reports that recipients had submitted to DOT. For all nine projects, information was available on the number of bidders; for the Colorado projects, we limited our analysis to the number of bidders since the bid amounts for both projects were not made public.

¹⁵ Letter from Scott Cummings, Robert Henigson Professor of Legal Ethics, to Molly Moran, Acting General Counsel at the US DOT, December 7, 2016. Available here: https://jobstomoveamerica.org/wp-content/uploads/2020/02/Cummings_Moran_Memos4.pdf

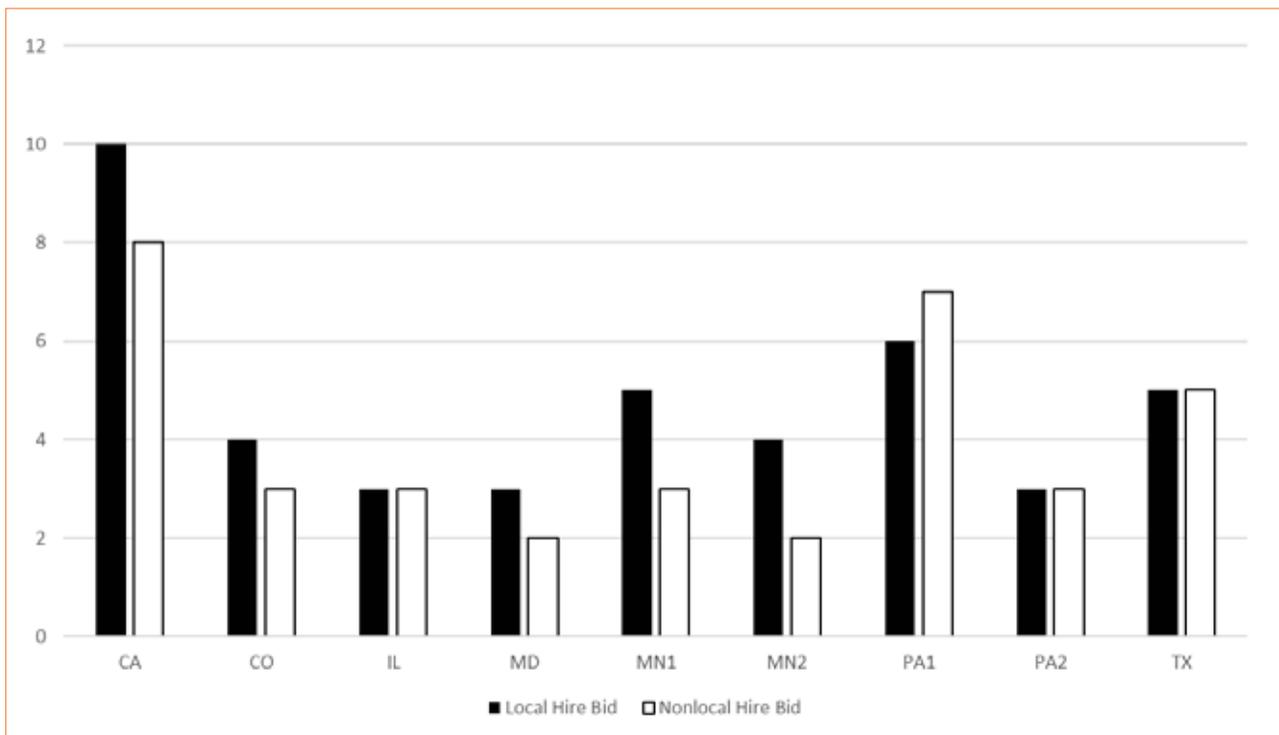


Figure 1. This chart compares the number of bidders for the nine pairs of local hire (black bars) and nonlocal hire (white bars) projects analyzed in this study. The labels on the horizontal axis correspond to the projects listed in the first column of Table 1.

Figure 1 shows the number of bidders for each of these paired projects. Across the entire set of projects we consider, the average number of bidders for local hire projects was 4.8, the number was 4.0 for the nonlocal hire. In five of the nine pairs of projects we consider, there was in fact a greater number of bidders for the local hire project than for the nonlocal hire project, whereas there was only one pair for which there was a greater number of bidders for the nonlocal hire project. This suggests that there is no clear evidence of a decrease in market participation by potential bidders in response to local hire requirements.¹⁶

In addition to no evidence supporting claims of decreases in market participation, a closer examination of the bids for each project in our sample finds no evidence in support of the claim that the bid amounts are higher when local hire requirements are in place. Figures 2 and 3 show

¹⁶ For the other SEP-14 local hire projects that were not included in this study, of the projects for which information on the number of bidders was submitted to DOT, all projects had two or more bidders, which is generally considered to be the benchmark for competitive bidding. It is also worth noting (as can be seen in Figure 1) that there were nonlocal hire projects that had two bids, which suggests that project and market considerations may have a greater influence on the number of bidders than local hire considerations.

the range of bids for each pair of projects for which we have bid amounts, as well as the independent cost estimates (or midpoint of the range of cost estimates when only a range was provided).

Figure 2 shows the bid ranges for the six smaller projects, which ranged in value from \$900,000 to \$4.5 million. Figure 3 shows the bid ranges for the ten larger projects for which we have bids, which range in value from \$8 million to more than \$100 million. Circles indicate the value for each bid, with an X marking the independent cost estimate.

There is no systematic difference in the distribution of bids between the local hire and nonlocal hire projects examined. With both local and nonlocal hire projects, for half of the projects (four of eight) the lowest bid came within 10 percent of the independent cost estimate; in each case, two bids were slightly above and two were slightly below. For both nonlocal and local hire projects there were two projects for which the bids came in noticeably below the independent cost estimate (more than 10 percent lower) and two projects for which the bids came in well above the cost estimate (more

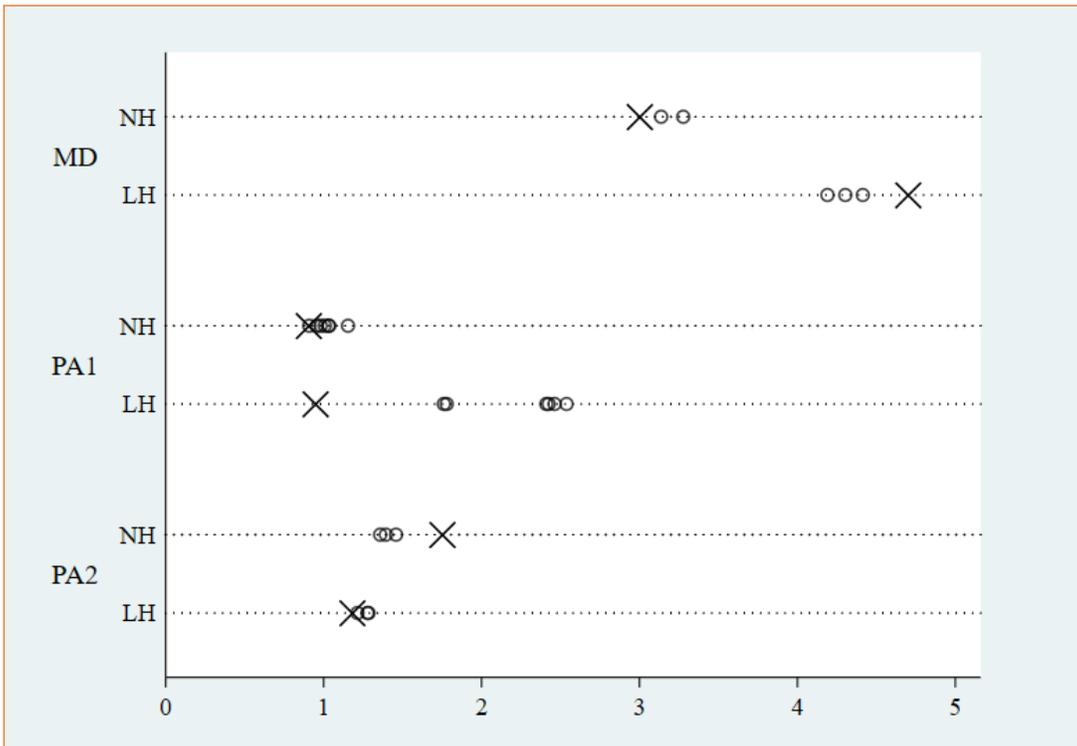


Figure 2. This graphic shows the independent cost estimates and bid ranges for the smaller projects (under \$5 million) included in our study. Circles indicate the value for each bid; X's indicate the independent cost estimates. (NL = nonlocal hire, LH = local hire)

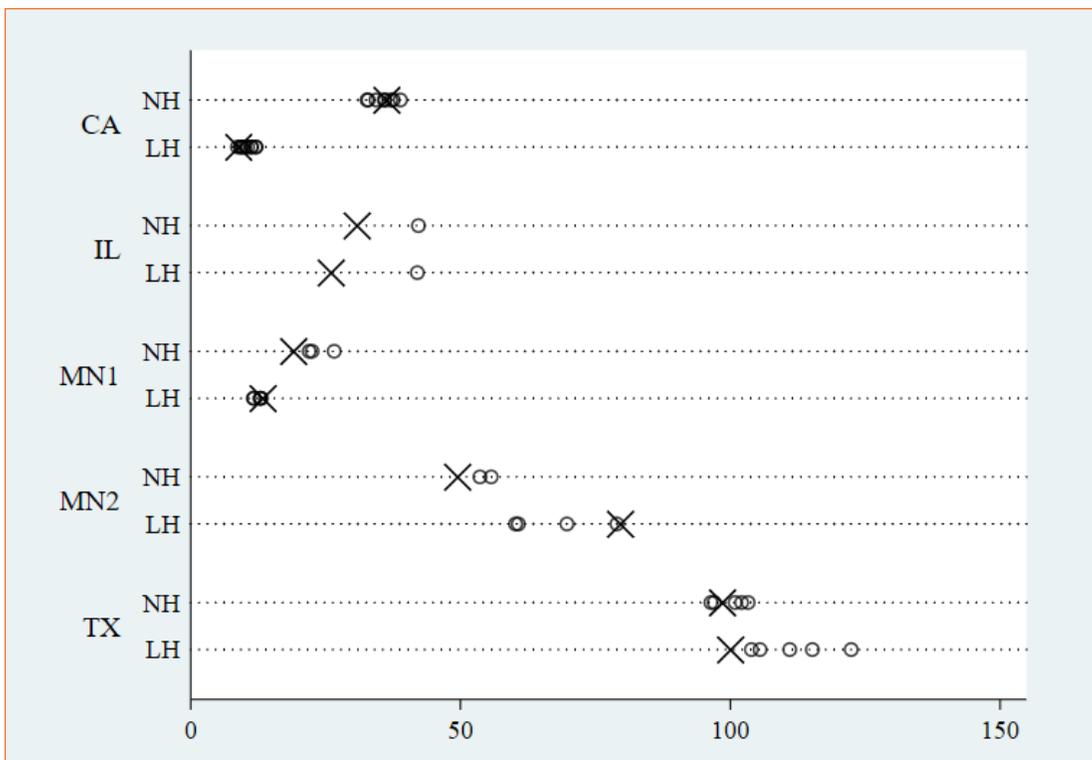


Figure 3. This graphic shows the independent cost estimates and bid ranges for the larger projects (over \$5 million) included in our study. Circles indicate the value for each bid; X's indicate the independent cost estimates. (NL = nonlocal hire, LH = local hire)

than 10 percent higher). Overall, the data suggest that for the projects considered, not only are the number of bidders quite similar, but the bid amounts don't vary systematically by whether the local hire requirement was in place.

It is important to note that the projects considered in this study span a wide range of sizes, indicating that local hire can be used with no negative impact on the number of bidders or cost of the project regardless of project size. We also note that the projects analyzed for this paper took place in many different parts of the country and in a variety of urban and suburban locations, which suggests that local hire can be used without fear of limiting the number of bidders or impacting bid amounts, regardless of project location. Finally, we note that there were no special conditions that resulted in these projects being chosen for analysis out of the pool of nineteen SEP-14 projects. The projects used for this paper were selected because they were the ones for which the most data had been submitted to DOT and for which we were able to gather any necessary additional data most readily (rarely an easy task, and certainly more challenging when pandemic conditions require agency employees to work under remarkable duress). We expect that any further analysis of the remaining SEP-14 projects will corroborate our results, and we encourage anyone interested in delving more deeply into this data set to do so.

Qualitative Analysis of the Impact of Local Hire Policies on SEP-14

In addition to quantitative analysis showing the nonimpact of local hire on the numbers of bidders and price, it is also important to consider the qualitative value of allowing local hiring preferences. The societal and economic benefits of creating jobs for local residents, especially for marginalized workers, was a nontrivial factor for the agencies that participated in the LLHP. The following excerpts from some of their work plans give a sense of the significance that the opportunity to use local hire held for recipient agencies:

District DOT (Washington, DC): "The District promotes the principle that local residents

should participate in, and benefit from, the capital investments in their neighborhoods such as: (1) access to job opportunities; (2) economic benefits to the adjacent communities where the project is located; and (3) helps build a middle class tax base. DDOT believes that recruiting from the local labor pool will not unduly restrict competition for a Federal-aid project and will not significantly increase the total project cost for the project and that any increase in total project cost will be offset by the benefit to the local community in providing training opportunities and creating a workforce of skilled and qualified workers available to fill the employment needs for future transportation projects."¹⁷

San Bernardino Associated Governments (CA): "The purpose of this SEP-14 is to utilize a cash incentive to increase the number of San Bernardino County residents and veterans that the construction contractor employees [sic] on the I-10 Pepper Interchange project. The County of San Bernardino still has not recovered from the 'great recession' so there is a demand from the residents and the elected officials to keep tax dollars local."¹⁸

Texas DOT: "Many local governments recognize the importance of encouraging local hiring through their capital program construction contracts. . . . These requirements have a variety of worthwhile local objectives, such as ensuring that the communities in which the projects are located benefit from the jobs that result from the investment of their funds, particularly for workers in low income areas."¹⁹

Virginia DOT: "Project proposals and procurements which include local worker and veteran preference requirements can positively impact the communities in which transportation

¹⁷ District Department of Transportation, "SEP-14 Application: Locally-Based Hiring Preferences on the South Capitol Street Corridor Project, Phase 1," <https://www.fhwa.dot.gov/programadmin/contracts/sep14dc20150908.pdf>

¹⁸ San Bernardino Associated Governments, "Special Experimental Project No. 14 (SEP-14) Work plan to Evaluate the Use of Local Labor and Veteran Hiring Preferences," <https://www.fhwa.dot.gov/construction/contracts/pepper150723.pdf>

¹⁹ Texas Department of Transportation, "Special Experimental Project No. 14 (SEP-14) Workplan to Evaluate the Use of Local Labor Hiring Preferences," <https://www.fhwa.dot.gov/programadmin/contracts/sep14tx151202.pdf>

investments are made. The subsequent award of such contracts can improve access to jobs, growing the new Virginia economy and otherwise offer societal and economic benefits and opportunities for the workers that reside in these communities.”²⁰

Similarly, for the Chicago Transit Authority’s South Mainline Garfield Gateway Station Renovation, nearly 30 percent of the labor hours were performed by residents of economically disadvantaged communities, with median incomes less than \$40,000.²¹ The contractor, Walsh Construction, published profiles of some of the local workers from the project:

Michael has been working for Walsh for the last 10 years and is currently a general carpenter on the Garfield Gateway Station Renovation project. He was inspired to enter the trades by his grandfather, who was a long-time Walsh employee. However, Michael’s path to finding—and maintaining—employment has not been an easy one. “I was incarcerated for 10 years, and once [an employer] finds out about that, they’re no longer interested in hiring me.”

Michael, who resides in Chicago’s Englewood neighborhood, has found it to be rewarding to work on a local project, such as the Garfield Station. “I see a lot of people I know when I’m out here and they feel proud to know someone who is working on this project.” Some of Michael’s acquaintances are even working in the trades themselves now, thanks to his positive example and assistance.

“I’m ecstatic to work on projects like this because it shows our city is growing,” he says. “I can see the city developing and it’s the people who benefit from it.”²²

In addition to these examples, it is illustrative to discuss two agencies that have taken especially proactive and ambitious approaches to implementing local hire: Colorado DOT and the Los Angeles County Metropolitan Transportation Authority. These programs are described in detail below.

Colorado DOT: CDOT, which also participated in the LLHP, had the distinction of choosing for its pilot project the \$1.2 billion Central 70 interstate reconstruction—the largest project in CDOT’s history according to its workplan supplement report from December 7, 2015.²³ Although it was not possible to obtain bid amounts for Central 70, the substantial workforce development support that CDOT provided for this LLHP project is worth discussing in greater depth as a case study of what a comprehensive local hire program can look like.

As described in its report from November 21, 2017, in preparation for Central 70, CDOT used FHWA grant money and private foundation funding to develop a workforce development program to support the local hiring preference specifically for Central 70. The workforce development program was designed to increase worker skills and support job retention in the local hire area for Central 70 as well as for other projects in the Denver area. Part of the motivation for creating the program was, ironically, Colorado’s strong economy: in late 2015, the unemployment rate for the Denver area was 3.2 percent, the lowest rate measured since May 2001.²⁴ A significant reason for the program’s creation was the recognition that, without a meaningful workforce development effort, it would be difficult to find enough workers to keep Central 70 adequately staffed for the project’s four- to five-year duration. Growing the local workforce would also be essential to support the large number of major highway construction projects that CDOT had planned over the coming years. CDOT also recognized that local hire would

²⁰ Virginia Department of Transportation, “Geographic-Based Hiring Preferences: Special Experimental Project -14 Application,” <https://www.fhwa.dot.gov/programadmin/contracts/sep14va20150902.pdf>

²¹ Personal communication with Tom McKone, Chief Administrative Officer of Chicago Transit Authority, January 12, 2021

²² Walsh Construction, Diversity & Workforce Inclusion Newsletter, Winter 2019.

²³ Letter from Anthony R. DeVito, Colorado DOT Project Director, to John M. Cater, Division Administrator at FHWA, December 7, 2015, <https://www.fhwa.dot.gov/programadmin/contracts/sep14co151207.pdf>

²⁴ Ibid.

contribute to the agency's goal of promoting "corridor-wide economic and community vitality" around Central 70 and "enhancing community values and project benefits."²⁵

CDOT began the process by hosting a roundtable discussion with workforce development stakeholders and community members in November 2015. Based on that discussion, CDOT issued a request for proposals for a Community Job Readiness and Workforce Needs Assessment to identify the geographic scope of Central 70's hiring preferences, the skill sets and skill gaps of the area's potential workforce, and potential strategies for obtaining robust local employment. The assessment, which was provided by the Community College of Denver, resulted in CDOT establishing a 20 percent local hire goal (with 10 percent from new hires) and delineating the geographic scope of the local hire area, which encompassed an environmental justice area identified in Central 70's final environmental impact statement.²⁶

Each of the developer teams that bid on the Central 70 project was asked to submit a workforce development plan describing how the team would fulfill the project's local hire goals. As described in CDOT's initial report to USDOT,

None of the short-listed teams' proposals appeared to be significantly impacted by the inclusion of the Local Hire provisions. Each team submitted Workforce Development Plans that committed to meeting the local hire requirements of the SEP-14 Pilot and provided a plan for investing in and developing local workforce pipelines. . . . Due to the size and complexity of the Central 70 Project, the shortlisted teams consisted of large developers, many of whom have helped develop local workforce on other projects. The Local Hire provisions seemed to have less impact on the bidding process because of the shortlisted teams' prior experience

developing pipelines for infrastructure projects.²⁷

CDOT also acquired tools for tracking the hours and payroll of locally hired workers and created a compliance plan that included monthly reporting from the developer on all key local hire metrics. Additionally, CDOT and the Community College of Denver established partnerships with worker training groups to provide ongoing support for local workers throughout the project. Key industry groups, most notably the Associated General Contractors of Colorado, the Hispanic Contractors of Colorado, and the Black Construction Group, also supported the Central 70 workforce development program.

Los Angeles County Metropolitan Transportation Authority: In considering how to design successful local hire programs, the approach developed by the LA Metro is also important to discuss. On a fundamental level, the genesis of LA Metro's local hire program was the passage of Measure R, a 2008 ballot initiative that proposed a half-cent sales tax increase to fund transportation projects. Measure R was proposed to last thirty years and was expected to raise \$40 billion during that time; the Los Angeles Economic Development Agency estimated the cost to each county resident at about \$25 per year.²⁸

To ensure the necessary workforce support for the boom in construction work resulting from Measure R, LA Metro worked with the Los Angeles/Orange County Building Construction Trades Council to negotiate a project labor agreement (PLA) covering construction projects over \$2.5 million. Adopted in 2012, the PLA set the terms for employment on applicable construction projects, outlined the processes for dispute resolution, and formalized a shared commitment to ensuring that LA Metro's construction projects would be delivered on time and with meaningful quality and safety standards.

²⁵ Ibid.

²⁶ Letter from Anthony R. DeVito, Colorado DOT Project Director, to John M. Cater, Division Administrator at FHWA, October 5, 2016 <https://www.fhwa.dot.gov/programadmin/contracts/sep14co161005.pdf>

²⁷ Colorado DOT, "SEP-14 Local Hire Pilot Program - Initial Report," <https://www.fhwa.dot.gov/programadmin/contracts/sep14co171221.pdf>

²⁸ "Wikipedia: Measure R," Wikimedia Foundation, last modified October 16, 2020, 13:16, https://en.wikipedia.org/wiki/Measure_R

To support the PLA, LA Metro also adopted a construction careers policy (CCP) to encourage “construction employment and training opportunities in ways calculated to mitigate the harms caused by geographically concentrated poverty and unemployment in economically disadvantaged areas and among disadvantaged workers.”²⁹ The PLA and the CCP require that, on covered projects, 40 percent of construction workers reside in economically disadvantaged areas, 20 percent are apprentices, and 10 percent qualify as disadvantaged workers, meaning they face two or more barriers to employment.³⁰ (Both the PLA and the CCP were renewed in 2017 following the passage of Measure M, which made the Measure R sales tax increase permanent.)

To comply with USDOT’s prohibition on local hire for projects using federal funds, LA Metro made it clear that the CCP specified targeted worker hiring requirements based on apprenticeship utilization, disadvantaged status, and economically disadvantaged areas throughout the United States.³¹ For projects financed with only state and local funds, however, the targeted hiring requirements applied only to local residents.

While LA Metro did participate in the FTA’s LLHP program, because the size and number of LA Metro construction projects increased dramatically after Measure R, and because all the Measure R projects used the PLA and the CCP, it was not possible for us to include LA Metro projects in our empirical analysis, since there are effectively no nonlocal hire projects

against which the agency’s targeted hire projects can be compared. However, this does not diminish the significance of LA Metro’s approach to inclusive hiring and the rigor and specificity of the agency’s construction workforce benchmarks. The framework that LA Metro created for hiring disadvantaged workers and ensuring opportunities for apprentice workers is widely regarded as a high standard for progressive workforce development. A report commissioned by the agency in 2018 showed that LA Metro was successful in meeting and exceeding its hiring goals, with 59.8 percent of workers residing in economically disadvantaged areas, 11.3 percent of workers facing barriers to employment, and 20.9 percent of workers meeting the apprenticeship goal.³²

Conclusions

The USDOT LLHP, which ran from 2015 to 2017, was a welcome and long-awaited opportunity to assess the potential impacts of local hiring preferences on the numbers of bidders and the price of federally funded projects. Although the pilot was terminated before complete information from recipient agencies could be collected, compiled, and evaluated, we are glad to take a closer look at a subset of this data and provide this assessment. Our findings show that allowing local hire does not systematically impact bid prices or reduce the number of bidders on construction projects. Our results show this to be the case across projects of varying sizes and from different areas of the United States. A qualitative assessment of the pilot projects shows a clear and consistent appreciation among recipient agencies for the ways in which local hire can strengthen regional economies, provide access to good jobs, and remedy historical workforce inequities. An important next step would be to end the prohibition on local hire in federal regulations. Doing so would permit federal grant recipients to maximize the impacts and benefits of federal infrastructure spending and would allow agencies around the country the opportunity to begin developing their own local hire programs.

²⁹ Los Angeles County Metropolitan Transportation Authority, “General Management Construction Careers Policy,” http://media.metro.net/about_us/pla/images/construction_careers_policy_2012.pdf

³⁰ These barriers include: having a criminal record or other involvement with the criminal justice system; being homeless, emancipated from foster care, or a veteran of the Iraq or Afghanistan war, lacking a GED or high school diploma; receiving public assistance; suffering from chronic unemployment; being a custodial single parent; or being an apprentice with less than the 15% required graduation hours to become a journeyman. See http://media.metro.net/about_us/pla/images/frequently_asked_questions_clc.pdf

³¹ Los Angeles County Metropolitan Transportation Authority, “Metro Construction Careers Policy & Project Labor Agreement Frequently Asked Questions,” http://media.metro.net/about_us/pla/images/frequently_asked_questions_clc.pdf

³² Madrid Consulting Group, LLC, “Los Angeles Metro Project Labor Agreement & Construction Careers Policy: Impact Analysis Report,” 2018.

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Appendix: Project Data							
State	Agency	Local hire project name	Approx. project date	Independent cost estimate (ICE) or not-to-exceed amount	Number of bidders	Bidders (awardee in bold)	Bid amounts (awardee in bold)
California	San Bernardino Associated Governments (now known as San Bernardino County Transportation Authority)	I-10 Pepper Avenue Interchange	2016	\$8,841,275	10	MCM Construction, Inc. Flatiron West, Inc. Riverside Construction Security Paving Powell Coffman Specialties Myers & Sons Construction Steve Rados USS Cal Builders Griffith	\$8,663,563.00 \$9,241,097.00 \$9,330,608.00 \$9,597,073.00 \$10,011,229.00 \$10,547,346.00 \$11,235,801.00 \$11,242,191.00 \$12,018,111.00 \$12,121,487.00
		Nonlocal hire project name					
		I-10 Citrus Interchange project	2012	\$36,296,000	8	Brutoco Security Paving Ortiz Enterprises Flatiron West, Inc. Griffith Riverside Construction Steve Rados Skanska	\$32,671,405.05 \$32,906,014.88 \$34,342,355.95 \$35,864,864.00 \$35,991,962.49 \$37,114,950.72 \$37,535,047.90 \$38,861,097.10

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State	Agency	Local hire project name	Approx. project date	Independent cost estimate (ICE) or not-to-exceed amount	Number of bidders	Bidders (awardee in bold)	Bid amounts (awardee in bold)
Colorado	Colorado DOT	Central 70 Project	2017-2022	\$1.2 billion	4	Kiewit Meridiam Partners Mile High Partners 5280 Connectors Front Range Mobility Group	N/A N/A N/A N/A
		Nonlocal hire project name					
	Denver RTD	Eagle P3 Project	2010-2016	N/A	3	N/A	(estimated project cost: \$2.2 billion)
		Local hire project name					
Illinois	Chicago Transit Authority	South Mainline Garfield Gateway Station Renovation	2017-2018	\$25,978,000	3	Walsh Construction Company II, LLC Kiewit Infrastructure Co. F.H. Paschen, S.N. Nielsen & Associates LLC	\$42 million N/A N/A
		Nonlocal hire project name					
		O'Hare Line – Belmont and Jefferson Park Stations Intermodal Improvements	2017-2018	\$30,789,871	3	Walsh Construction Company II, LLC Kiewit Infrastructure Co. F.H. Paschen, S.N. Nielsen & Associates LLC	\$42.2 million N/A N/A

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State	Agency	Local hire project name	Approx. project date	Independent cost estimate (ICE) or not-to-exceed amount	Number of bidders	Bidders (awardee in bold)	Bid amounts (awardee in bold)
Maryland	Baltimore City DOT	Reconnecting West Baltimore/Fulton Ave Bridge	2016-2017	\$4.7 million	3	Manuel Luis Construction Co., Inc. Civil Construction, LLC P. Flanigan & Sons	\$4,189,653.09 \$4,302,917.80 \$4,414,431.00
		Nonlocal hire project name TR 12303, Resurfacing Highways at Various Locations Southwest	2012	\$1-\$5 million	2	Manuel Luis Construction Co., Inc. P. Flanigan & Sons	\$3,137,658.51 \$3,276,747.37
		Local hire project name County State Aid Highway (CSAH) 81 Reconstruction (SP 027-681-034)	2016	\$13,350,000	5	C.S. McCrossan Construction, Inc. Landwehr Construction, Inc. Park Construction Co. S.M. Hentges & Sons, Inc. Max Steininger Inc.	\$11,596,533.12 \$11,727,951.45 \$12,867,394.33 \$12,886,801.19 \$13,097,271.37
Minnesota (1)	Minnesota DOT	Nonlocal hire project name CSAH 81 from Lowry Ave to TH 100 (SP 027-681-023)	2007	\$19,034,581	3	Ames Construction, Inc. Progressive Contractors Inc. C.S. McCrossan Construction	\$21,950,407.37 \$22,491,434.67 \$26,594,228.40

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State	Agency	Local hire project name	Approx. project date	Independent cost estimate (ICE), or not-to-exceed amount	Number of bidders	Bidders (awardee in bold)	Bid amounts (awardee in bold)
Minnesota (2)	Minnesota DOT	HWY 169	2016	\$79,595,000	4	Ames Construction, Inc. Kiewit Infrastructure Co. Kraemer North America Lunda Construction Co.	\$60,204,280.00 \$69,725,000.00 \$60,721,000.00 \$78,987,500.00
		Nonlocal hire project name					
		SP 6283-234	2016	\$49,416,766	2	Shafer Contracting PCI Roads LLC	\$53,601,646.45 \$55,687,366.56
		Local hire project name					
Pennsylvania (1)	Sports & Exhibition Authority of Pittsburgh and Allegheny County	Centre Avenue and Street I Intersection Reconstruction	2016	\$946,680	6	Frank J. Zottola Construction, Inc. A Merante Contracting Inc. S.E.T., Inc. Michael Facchiano Contracting, Inc. Gulisek Construction LLC Golden Triangle Construction Co., Inc.	\$1,761,655.00 \$1,779,634.17 \$2,409,846.72 \$2,424,934.49 \$2,462,401.09 \$2,537,833.35
		Nonlocal hire project name					
		Chuck Noll Way	2011	\$904,149	7	Pugliano Construction Co. Inc. Michael Facchiano Contracting, Inc. S.E.T., Inc. Trumbull Corp. Golden Triangle Construction Co., Inc. Mascaro Contracting, L.P. Costa Contracting, Inc.	\$909,192.50 \$955,965.45 \$980,742.92 \$1,007,055.05 \$1,031,131.50 \$1,034,691.90 \$1,153,743.42

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State	Agency	Local hire project name	Approx. project date	Independent cost estimate (ICE) or not-to-exceed amount	Number of bidders	Bidders (awardee in bold)	Bid amounts (awardee in bold)
Pennsylvania (2)	Pennsylvania DOT	Main Street Improvements (second bid letting)	2013	\$1 - \$1.358 million	3	HRI, Inc.	\$1,213,842.59
						Gulisek Construction LLC	\$1,276,519.21
						S.E.T., Inc.	\$1,284,329.70
		Nonlocal hire project name					
		Main Street Improvements (first bid letting)	2012	\$1 - \$2.5 million	3	Gulisek Construction LLC	\$1,358,419.23
						S.E.T., Inc.	\$1,394,173.55
						HRI, Inc.	\$1,457,886.71
						(all bids were rejected due to insufficient funding)	
		Local hire project name					
Texas	Texas DOT	S.M. Wright Project (second bid letting)	2016	\$100,034,952	5	Webber Construction LLC	\$103,886,639.99
						McCarthy Building Companies	\$105,477,598.90
						Balfour Beatty Infrastructure, Inc.	\$111,047,111.09
						Zachry Construction Corp.	\$115,203,739.17
						MCM	\$122,442,040.26
		Nonlocal hire project name					
		S.M. Wright Project (first bid letting)	2014	\$98,463,712	5	Balfour Beatty Infrastructure, Inc.	\$96,431,455.29
						MCM	\$96,950,222.35
						Webber Construction LLC	\$100,908,999.99
						Austin Bridge & Road, LP	\$102,134,361.29
						J.D. Abrams, L.P.	\$103,342,801.75