

Senate
JUDICIARY COMMITTEE

MINUTES OF HEARING HELD
FEBRUARY 15, 1967

The hearing of the Judiciary Committee was held at 3:00 P.M., Wednesday, February 15, 1967, in Committee Room 56, State Capitol, Chairman Monroe presiding.

Members Present: Warren L. Monroe, Chairman
V. L. Bunker
M. J. Christensen
Procter R. Hug
C. Clifton Young

Members Absent: Carl F. Dodge (excused)
Coe Swobe

Also Present: Senator Fisher
Senator Herr
Senator Alleman
Robert Shelton, Constr. Industry Legislative Comm.
William Trent, " " " "
Allen B. Hillis, " " " "
Lloyd Guffrey, Guffrey Construction Supply Co.
Clark Bigler, Sacramento Bee
Roy Vanett, Review Journal

Chairman Monroe stated that the purpose of the meeting was for a Hearing on Senate Bill 7 which provided for an advantage to Nevada bidders on State contracts. He then requested Mr. Hillis to address the Committee:

Mr. Hillis stated that he was in the construction industry, and was Chairman of the Construction Industry Legislative Committee. He said that, quite frankly, they were for this Bill, we asked for it to be introduced and are supporting it. It is a Bill that has proven successful in several other states and created an economic health. The general contractors have assumed no position on this, but, all the subcontractor and material groups have assumed a positive position in support of the Bill. The reason for this, is that it is one way to increase the vitality of our local economy by giving our local businesses a reasonable preference -- not to build a high board fence. Nevada contracting law is reasonably reasonable, in order to obtain a contracting license and our laws attract outside firms, but it is easy for an out-of-state salesman or representative to maintain a telephone answering service, or even have a sales representative live in the area, then bid on a high volume business and bring in the supplies from San Francisco or Los Angeles, and they can give a 5% advantage over a local businessman.

Mr. Shelton stated that, in the contracting business almost always a local contractor has more investment in a job than an outside contractor. Most of the profits the local contractor makes get ploughed right back into the local economy -- the money stays in the community. Outsiders take it out. I have been told that some of the opposition to the Bill is, that we are increasing the cost to the State by 5%, we disagree. Several states have

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found that, as far as construction business is concerned, it increased on an average of $\frac{1}{2}$ of 1%, since the 5% preference is not automatically awarded on every contract. The out-of-state bidder is only going to be successful in 10 to 15% of business awarded. The mere fact that you have the legislation is a somewhat deterring factor for outside bidders, they bid more realistically. We feel that the mere fact that if it did cost 1% on an average, that \$10,000. for every million that we spend, if the \$10,000. is kept in the community we are that much ahead. This will be made up in services too.

Senator Monroe asked what they would think about scaled rates for benefit. Say, anything over \$100,000 a 1 $\frac{1}{2}$ % preference, and small bids of \$1,000. or under at 5%. When you get to a million dollar job, 5% of a million is a lot of money.

Mr. Hillis replied, true. However, on a million dollar job you will have two or three bidders within 3 to 4% of each other. The larger the job, the more level the bidding will become. It is more accurate bidding than on smaller jobs. Whatever form this Bill might take, I think industry would have to be satisfied with whatever form it does take, but to arbitrarily say that a 5% factor will be involved is wrong -- the maximum on any job would be 5%. Services of the local contractors on warranties will save most of the intangible increases to the local economy. I have been associated with large out-of-state firms and a tremendous amount of money is syphoned out at two, three and four supply levels, so it becomes a very large factor.

Senator Monroe asked if they were familiar with the Associated General Contractors recommendation for pre-qualification of bidders, which was suggested by them as a substitute for the preference. Mr. Hillis replied that he had not studied it thoroughly.

Mr. Trent stated that he was a contractor from Las Vegas, and, represented the electrical and mechanical contractors in that area, they wished to go on record as giving their support to this Bill.

Mr. Shelton, President, Consolidated Electrical Distributors of Las Vegas stated that of his personal knowledge, the electrical distributors in Las Vegas and two or three other supply houses, where I know their feelings, are definitely in favor of this Bill.

Chairman Monroe asked if they had any figures on what percentage of government contracting was represented in the total amount of business. Mr. Shelton replied that they were unhappy in Las Vegas with the State Purchasing Office because, as one example -- electric light bulbs are purchased annually, the bid is placed out of Carson City, and for a number of years this contract has been placed out-of-state and they are brought into Carson City, then distributed throughout the State. We do not do much business with the State in Las Vegas and we would like to see a self-purchasing activity in Las Vegas. I could not say, however, exactly how much business we do with the State. Mr. Hillis commented that they have many variables to consider, the many types of job contracting and material suppliers, plus this Bill involves many public moneys, not just the State's. Some contractors try to maintain a fifty-fifty public and private business, but, we

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have no statistics.

Mr. Guffrey stated that he was a small supplier in this area, and that he didn't know if there was any way to stop it but the State Hospital was sending to Utah for small items because they were practically giving them away. The seller only makes about \$40. on an order, but, I am down there almost every day helping them out.

Senator Hug commented that there was also a problem in supplying schools, an outside firm works through a business in the City. That is a bad thing, will the 5% preference stop that. Mr. Hillis replied and asked Senator Hug if the man submitted the bid in his own name. Senator Hug replied that the school will specify a certain type of furniture, for instance, and none of the local firms handles that particular type, so someone comes in from the outside and the local businessman puts in the bid in his own name from the outside firm. You are doing business with a local firm, would this situation continue to exist. Mr. Hillis commented that it was his personal experience that it would be impossible to provide legislation to cover it -- to take care of an idiot. I think that almost without exception when we enter into joint ventures, the sponsoring joint venture is responsible. If a local businessman wants to be idiot enough to front for an outsider and give him the savings, he will go bankrupt in a short time.

Senator Hug asked if they thought this should be separated in some manner. Supplies and equipment are different than general contracting. Can we separate in the Bill, that supplies and equipment supplied by small contractors be handled differently than large construction contractors.

Chairman Monroe replied that, that has been a suggestion. State purchases, County, City and School purchases -- the trend seems to get the lowest possible bid, no matter who comes in with it. Now, a wholesaler is practical the only one that can get a State contract. Why should a State agency buy to get things cheaper than the individual can.

Mr. Hillis stated that the 5% preference will not automatically penalize the outsider, if he wants to come in and post bond and under bid the local man 5½%, the taxpayer will be ahead.

Senator Hug stated that he would like to see a sliding scale investigated a little.

Senator Young asked if the contractors had any trouble going out of state for business. Mr. Hillis replied that he thought that the number of states with preference legislation was 24. California temporarily took the preference off because of the fact that they do import material from Pennsylvania and Pennsylvania will not deal with anyone with a preference Act. It is impossible to go into the preference states and out bid them. Arizona has a much more stringent Bill than the one proposed here.

Senator Alleman asked if the preference would apply on contractors bidding Federal jobs, and Senator Monroe replied in the negative.

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Senator Christensen commented that he was very much in sympathy with the problem, but could see why some people were not. He wondered if the contractors would feel very bad if it was changed to 2%, or some certain amount under 5%. Mr. Hillis replied that no one can do anything that will please everyone. Naturally, we want to make the best presentation possible, but anything done on an intelligent level -- no one will criticize an improvement. If, in the wisdom of the legislature, they feel a sliding scale was preferable, we would have to live with it.

Mr. Trent mentioned that in executing the contracts they would have to make sure that all the subcontractors were local, or all foreign. In Arizona, anyone claiming bidders preference have to hire all local subcontractors. Chairman Monroe commented that they didn't have that in the Bill. Mr. Trent replied yes that would have to be clarified.

Messrs. Shelton, Trent, Hillis and Guffrey left the meeting at this time.

Senator Young commented that he liked some of the ideas that Rowland Oakes had. Senator Monroe replied that Rowland Oakes' principal idea for solving the problem was that of pre-qualifying contractors.

The Committee decided to study a copy of the Arizona Preference Act before taking any action.

Chairman Monroe announced that the next meeting would be held at 9:00 A.M. Friday, February 17, 1967.

The meeting was adjourned at 4:30 P.M.