

The Contractor Responsibility Certification (CRC) Apprenticeship Requirement:

**How it affects the County's RFP and
bidding process**



*The
apprenticeship
requirement
excludes small
businesses.*



Excludes Small Businesses

Affordability

- ▶ Contractors in Delaware tend to be small, averaging only 5.8 employees per firm.
- ▶ Many small contractors cannot afford to hire new people, nor do they have a need to hire anyone new. In many cases, they are struggling to keep their current staff employed.
- ▶ Since a typical apprenticeship is only 4 years, they may need to hire a new apprentice every time they get a contract.
- ▶ The CRC requires an awardee to have an apprenticeship program for each trade involved in the project. So, in many cases, a contractor would need multiple apprentices to bid on a contract.



Excludes Small Businesses

Class Availability

- ▶ Vo-Tech only regularly offers classes for 9 (out of 26) trades:

Bricklayers
Carpenters
Electricians

Iron Workers
Laborers
Millwrights

Plumbers
Sheet Metal Workers
Sprinkler Fitters

- ▶ Trade associations provide classes for 5 additional trades, but these classes are not open to most contractors:

Asbestos Workers
Electrical Line Workers

Insulators
Truck Drivers

Power Equipment Operators

- ▶ For 12 trades, there are no local apprenticeship classes at all:

Boilermakers
Cement Finishers
Glazers
Painters

Piledrivers
Plasterers
Soft Floor Layers
Tile Finishers

Tile Setters
Roofers – Composition
Roofers – Shingle/Slate/Tile
Elevator Constructors



Excludes Small Businesses

Bidder Attrition

- ▶ As a result, many contractors have stopped bidding.

Most of the contractors who received awards in the 9 years preceding CRC have not received any further awards since CRC:

# In-State Contractors Used 1998–2006	192
# Receiving No Awards Post-CRC	146
<i>% of Total</i>	<i>76.0%</i>
\$ Awarded 1998–2006	\$20,746,298

Excludes Small Businesses

Bidder Attrition

- ▶ Many companies still bid on State of Delaware construction work, but no longer regularly bid on county projects since CRC, including:

Alper Enterprises, Inc. BFPE International C & D Contractors, Inc. C.T.A. Roofing & Waterproofing Carr & Duff, Inc. Delaware Elevator Delcollo Electric Diamond Electric	DiSabatino Construction, Inc. Donald E. Reisinger, Inc. Environmental Testing, Inc. First State Electric Company Gessler Construction Company, Inc. H.K. Griffith, Inc. Joshi Construction Co., Inc.	McMullen Roofing Modern Controls, Inc. Mumford & Miller Concrete, Inc. P & C Roofing, Inc. Quality Finishers, Inc. Tri-State Roofers Triton Construction
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Excludes Small Businesses

Minority Inclusion

- ▶ The apprenticeship requirement was originally seen as a way to increase minority inclusion. But minority inclusion remains low - likely because the requirement excludes small minority owned businesses.

- ▶ Pre-CRC (1998-2006): 6 African-American contractors received awards.
(2.6% of the county's total contractors)

Post-CRC (2007-2015): 2 African-American contractors received awards.
(0.9% of the county's total contractors)

- ▶ By contrast, for county government as a whole, 8% of its vendors are African-American owned.



Excludes Small Businesses

Minority Inclusion

- ▶ Minority workers are also underrepresented on county projects.

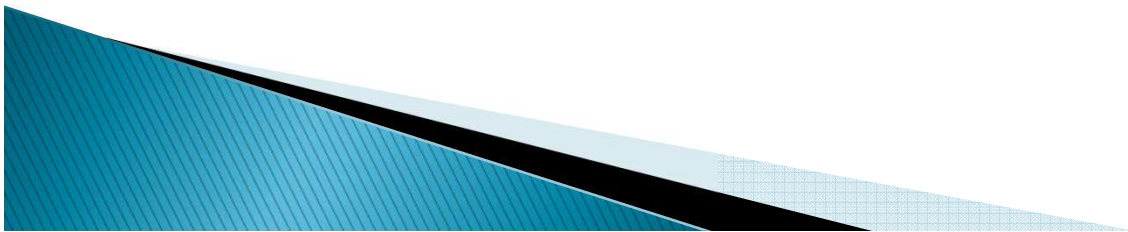
African-American Representation

All County Construction	New Castle Co. Residents	NCC residents w/o 4-year degree
12.7%	24.3%	28.0%

- ▶ Even projects in minority neighborhoods have low minority representation. Only 23 out of 242 workers (9.5%) on the Rt. 9 Library are African-American.

Rt. 9 Library Workers	Rt. 9 Corridor Population
9.5%	69.0%

*The
requirement
moves business
out-of-state.*



EXAMPLE: Bear Library (2012)

▶ Millwork & Casework

- *Three in-state contractors expressed interest but could not bid because of the apprenticeship requirement. The County issued an RFP twice, and only got 1 bid each time, from an out-of-state contractor.*

▶ Aluminum Storefront & Glass

- *Three in-state contractors expressed interest but could not bid because of the apprenticeship requirement. The County received bids from 2 out-of-state firms. The lower out-of state bidder was disqualified due to the apprenticeship requirement, resulting in award to the higher bidder at 40% greater cost.*

▶ Ceramic Tile & Flooring

- *The low bid from an in-state contractor was disqualified due to the apprenticeship requirement. The County had to rebid the package.*



Other Examples

- ▶ Kirkwood Library (2007)
 - *For the construction of a new building, **no in-state glazers could meet apprenticeship requirement.** Glazing contract was awarded to Eureka Metal & Glass in PA for \$703,731.*

- ▶ Route 9 Library (Ongoing)
 - *As of March 2017, **58.5% of wages went to workers who are from out-of-state.***

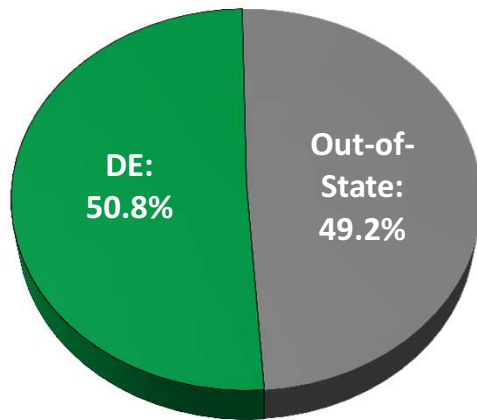
- ▶ Rockwood Mansion (2012)
 - *Roof restoration received no in-state bids, and **ended up costing more than double the original estimate.***



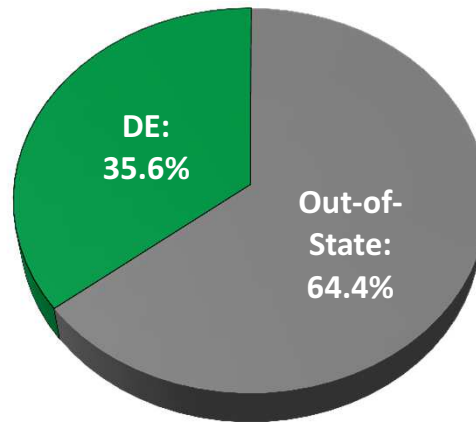
Moves Business Out of State

Awarding More Out-of-State Contracts

1998-2006



2007-2016

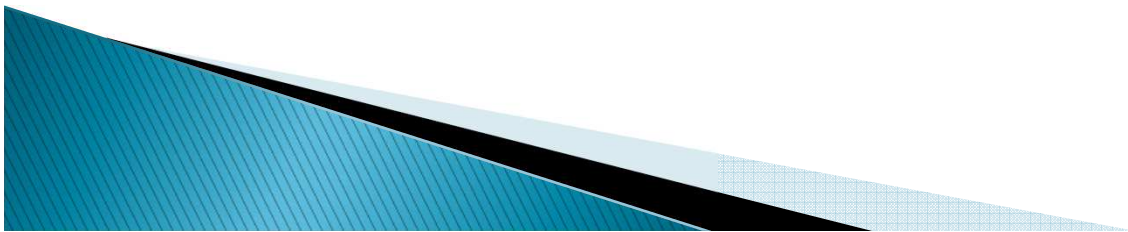


Result: An additional **\$31.4 million** leaving the state.

By contrast, **80.3%** of the State of Delaware's capital spending goes to Delaware contractors.



*The
requirement
increases costs
for NCC.*



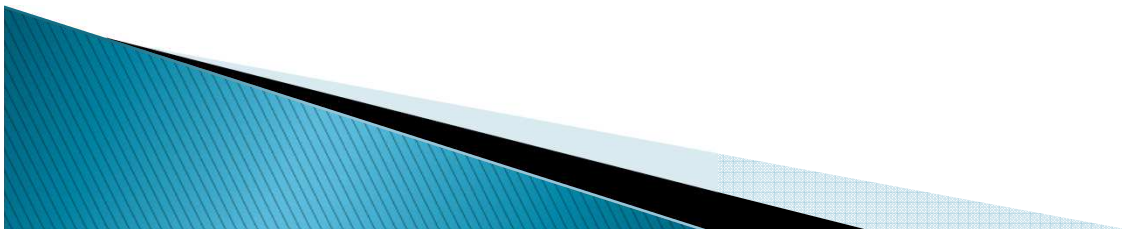
Increases Costs

Decreased Competition

- ▶ With fewer bidders, there is decreased competition for contracts:

	Avg # Bidders
State of DE	4.5
County (Before CRC)	4.6
County (with CRC)	3.4

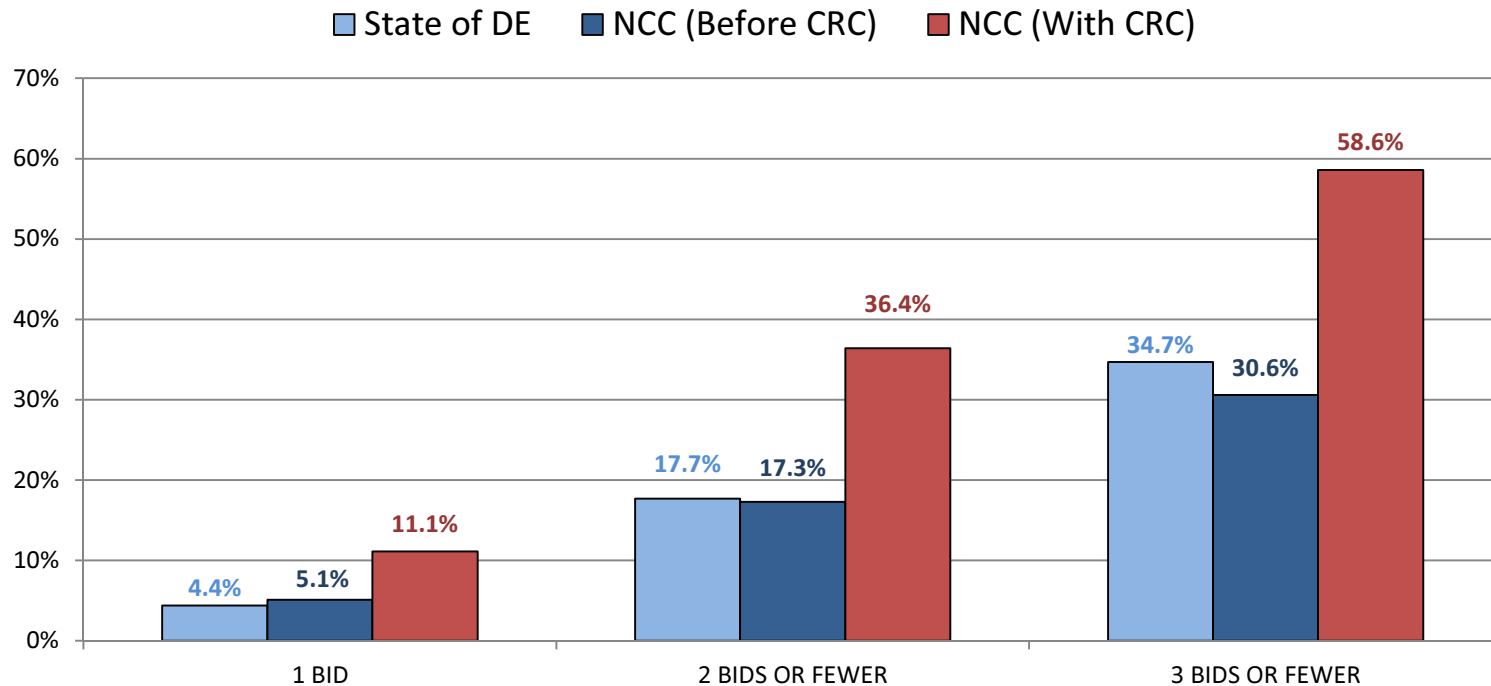
- ▶ Overall, the # of bids per project has decreased by **25.6%**.



Increases Costs

Decreased Competition

- ▶ Accordingly, the percentage of RFP's with a low number of bids has increased substantially as well:



Increases Costs

Comparison: Roofing Projects

State

Year	Project	# Bids	# In-State Bids
2012	Governor Bacon Health Center	7	4
2014	Hudson State Service Center	6	4
2014	Debnam & Lewis Buildings	7	4

County (Pre-CRC)

Year	Project	# Bids	# In-State Bids
2002	Bechtel House	6	3
2003	Kirkwood Library	6	5
2004	Banning Park Pavilion	5	3

County (Post-CRC)

Year	Project	# Bids	# In-State Bids
2013	Rockwood Mansion	3	0
2015	Newark Library	3	0
2016	Route 9 Library	2	0

Increases Costs

EXAMPLE: Kirkwood Library (2007)

- ▶ Kirkwood Library was one of the first RFP's after passing CRC. The apprentice requirement resulted in disqualification of several low bids:

Contract	Disqualified Bid	Awarded Bid
Structural Steel	\$407,500	\$490,000
Roofing	\$190,000	\$239,440
Concrete	\$370,500	\$449,000

- ▶ The disqualifications resulted in \$210,440 in extra cost, a 21.7% increase.
- ▶ The true extra cost of the apprenticeship requirement was probably greater, since contractors who were aware of the law declined to bid.



Increases Costs

Higher Bids

- ▶ Eligible contractors make high bids, without fear of being underbid.
- ▶ The cost of hiring a new employee and enrolling him/her into an apprenticeship program are factored into contractors' bids.
- ▶ Since the CRC requires apprenticeship for each trade involved, contractors will subcontract work that they could complete themselves. This can increase the bid amounts.
- ▶ Out-of-state contractors will bid more to compensate for travel.



Increases Costs

Re-Bids & Delays

▶ Claymont Library (2012)

- Project was divided into 17 bid packages, one for each trade involved.
- ***9 bid packages***- Concrete, Structural Steel, Masonry, Roofing, Windows/Storefront, Rough Carpentry, Specialties, Finish Carpentry, & Electrical- **needed to be re-bid.**
- ***3 bid packages***- Rough Carpentry, Finish Carpentry/Millwork, & Electrical- **had to be bid out three times.**
- The result was **increased costs and a delay of about 3 months.**



Increases Costs

Re-Bids & Delays

▶ Bear Library (2012)

- *The County received 1 bid for Millwork & Casework. **The County issued a re-bid and again received only 1 bid.** The County also needed to rebid the Ceramic Tile & Flooring package.*

▶ Rockwood Museum (2015)

- *Rockwood needed specialty carpenters with experience in historic preservation for exterior woodwork . No qualified contractors had apprenticeship, so the county got no bids and **the project still has not been done.***



Increases Costs

Cost Increase

- ▶ An analysis of bids before and after CRC found that decreased competition caused an average cost increase of **7.4%** per project.
- ▶ A study from the *Journal of Construction Engineering & Management* estimates that the decrease in bids post-CRC would result in an average cost increase of **7.56%** per project.
- ▶ The Special Services Project Administrator estimates that, overall, the restrictiveness of the requirement results in a **17-19%** cost increase.
- ▶ We can therefore conservatively estimate that the inflexibility of apprenticeship requirement in its current form will result in a cost increase of **\$2.0 million to \$5.1 million** in FY 2017.



Proposed Ordinance



Proposed Ordinance

Component	Existing Law	Proposed Ordinance
CRC Threshold	\$100,000 Contractors \$50,000 Subcontractors	\$1,000,000 Contractors \$500,000 Subcontractors
Requirement	Applies to “each trade or classification in which the bidder will employ craft workers for the special services contract.”	<ul style="list-style-type: none"> • Applies to only the 9 trades for which apprenticeship courses are regularly offered through Vo-Techs. • Only requires contractors to employ one apprentice, even if the contract includes more than one trade.
If No Qualified Bids	CRC still applies in re-bid.	GMs for Special Services and Administrative Services can waive CRC requirement.

