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**TESTIMONY OF
ASSOCIATED GENERAL CONTRACTORS OF KANSAS
BEFORE SENATE COMMITTEE ON COMMERCE
SB 292**

February 13, 2007

By Corey D Peterson, Associated General Contractors of Kansas, Inc.

Madam Chairman, Mister Chairman and members of the committee, my name is Corey Peterson. I am the Executive Vice President of the Associated General Contractors of Kansas, Inc. The AGC of Kansas is a trade association representing the commercial building construction industry, including general contractors, subcontractors and suppliers throughout Kansas (with the exception of Johnson and Wyandotte counties).

AGC of Kansas supports SB 292 and asks that you recommend this bill favorably for passage.

SB 292 amends K.S.A. Supp. 44-717 to eliminate liability imposed on construction general contractors for subcontractors that fail to pay state unemployment contributions, penalties and interest.

This law was enacted in 1961, when the role of the general contractor was quite different. In the sixties, a general contractor self-performed a large portion of a construction project with its own employees. Only a few subcontractors would be used on a typical job, such as an electrical or mechanical contractor. Today, a general contractor may have up to 40 subcontractors on typical project and will self-perform very little with its own employees. Thus the liability placed on general contractors today is far greater than that in the 1960's.

This law makes one company liable for actions of another company over which it has no control. A payment bond purchased by the subcontractor will relieve the contractor of this liability, but many subcontractors can not obtain such coverage. For those that can, the additional cost of construction will be passed along to the owner. Added enforcement of this law may force general contractors to require a payment bond or self-perform more work, both placing new, small or struggling subcontractors at risk of being removed from the market place.

Also, if this law has indeed proved to be an effective way of collecting unpaid unemployment taxes, AGC of Kansas questions why construction is being singled out and why this law does not apply to every contractor-subcontractor relationship.

The AGC of Kansas **respectfully requests that you recommend SB 292 for passage.** Thank you for your consideration.