



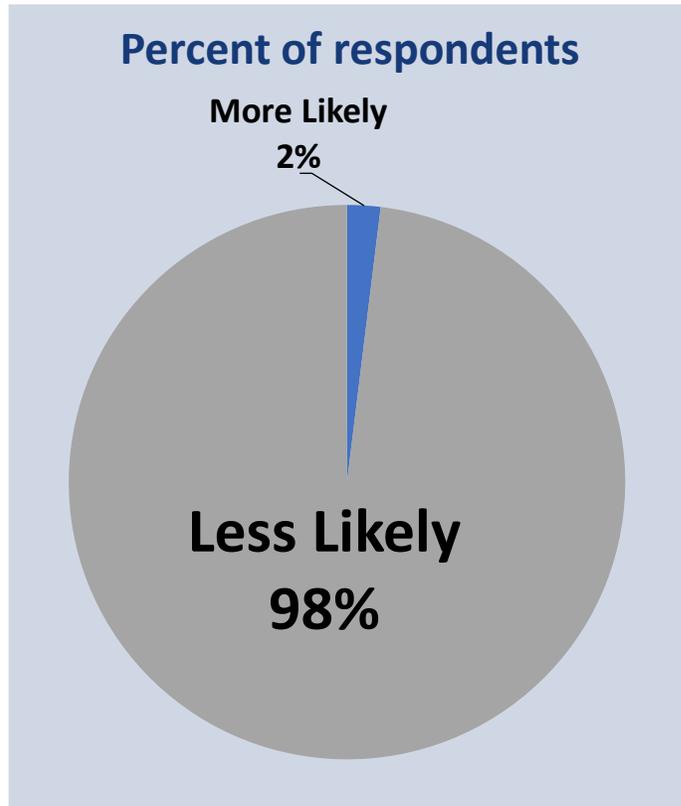
# **ABC Survey Results on Inflation Reduction Act Government-Registered Apprenticeship and Prevailing Wage Requirements**

Oct. 18, 2023



# ABC Contractors Less Likely To Bid on IRA Projects Due to Prevailing Wage and GRAP Requirements

*Question:* Do the proposed rule's prevailing wage and GRAP requirements make you more or less likely to bid on clean energy projects subject to IRA requirements?

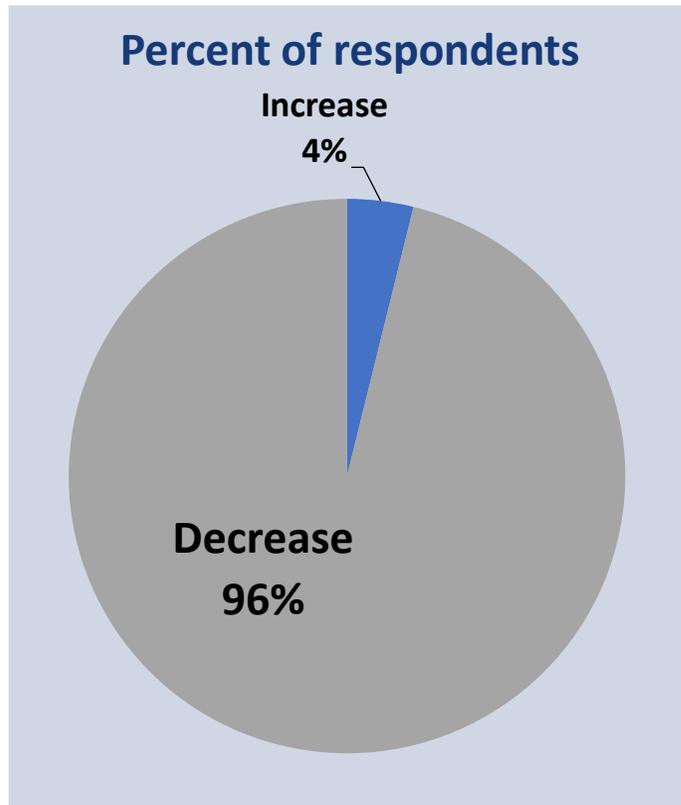


“

The pipeline for workers is very tight. I think it will be hard to find the workers to enroll ... if everyone is trying [to find apprentices to comply with IRA requirements], it will crash the training system.”

# IRA Mandates Reduce Competition

*Question:* Do you anticipate that the proposed rule's prevailing wage and GRAP requirements will increase or decrease competition among contractors on clean energy projects?

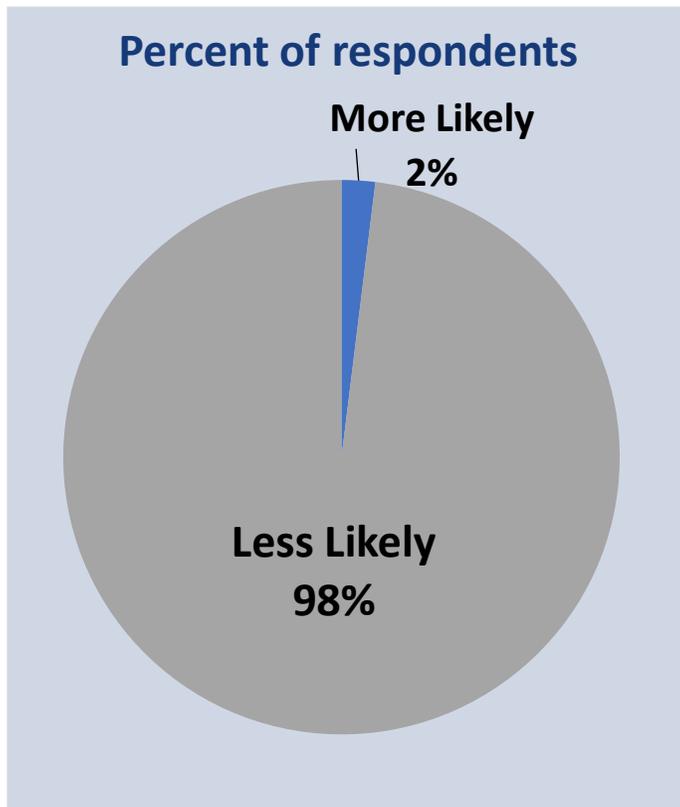


“

I have heard our clients/developers are frustrated with these requirements. They pose many risks for both the contractor and the owner. ... The competition is really narrow in wind energy, for example, if they do not change this rule. There are only [so] many wind [energy engineering, procurement and construction] contractors in the industry and we are one of them. The developers are begging us to stay in so there is enough competition.”

# PLA Incentive Will Limit Competition

*Question:* The proposed rule incentivizes the use of union-favoring project labor agreements by exempting developers that utilize PLAs from increased penalties for noncompliance with prevailing wage and GRAP requirements. If developers choose to require PLAs in response to this incentive, are you more likely or less likely to bid on these IRA projects?



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Most small businesses including union [shops] do not bid on PLAs due to the requirements. PLAs are small business killers.”

“

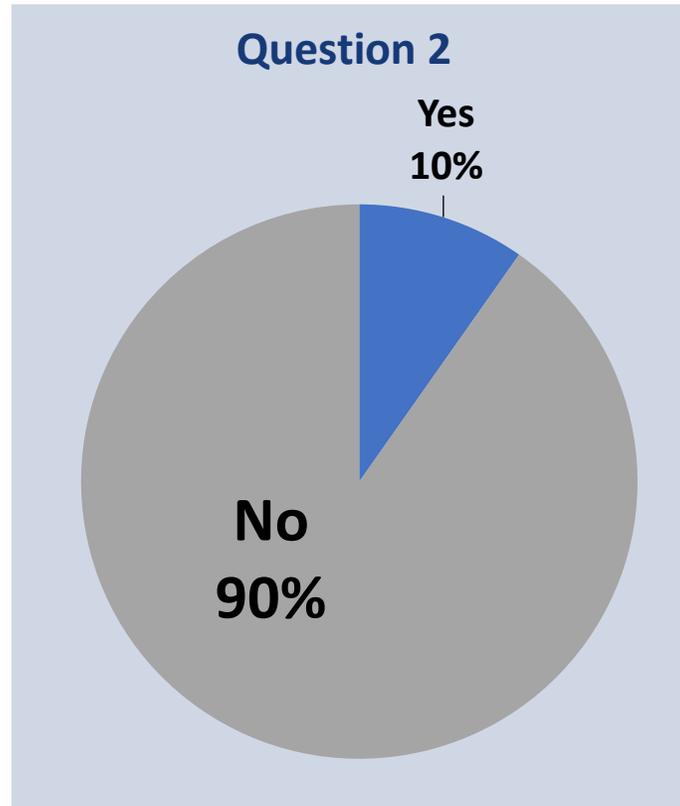
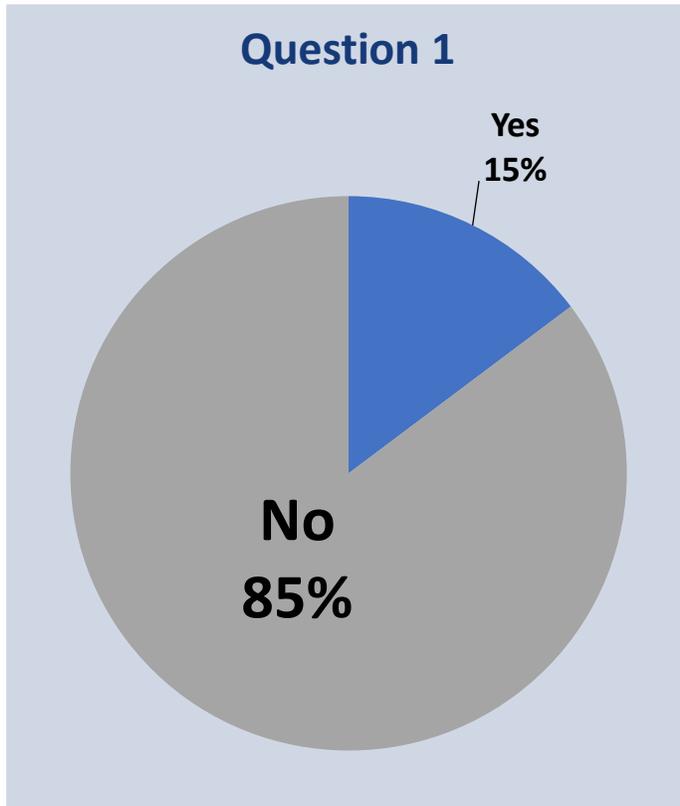
This policy will drive up construction costs and limit competition as only union contractors will participate.”



# Lack of Sufficient GRAPs and Apprentices May Cause Delays

*Question 1:* The proposed rule implements requirements for GRAP labor hours to be at least 12.5% of all construction labor hours in 2023 and 15% in 2024 and thereafter. Have the necessary GRAPs been established in your area to make meeting this requirement feasible?

*Question 2:* Additionally, are sufficient apprentices enrolled in relevant GRAPs in your area to provide a workforce capable of meeting the labor hour requirements outlined above?

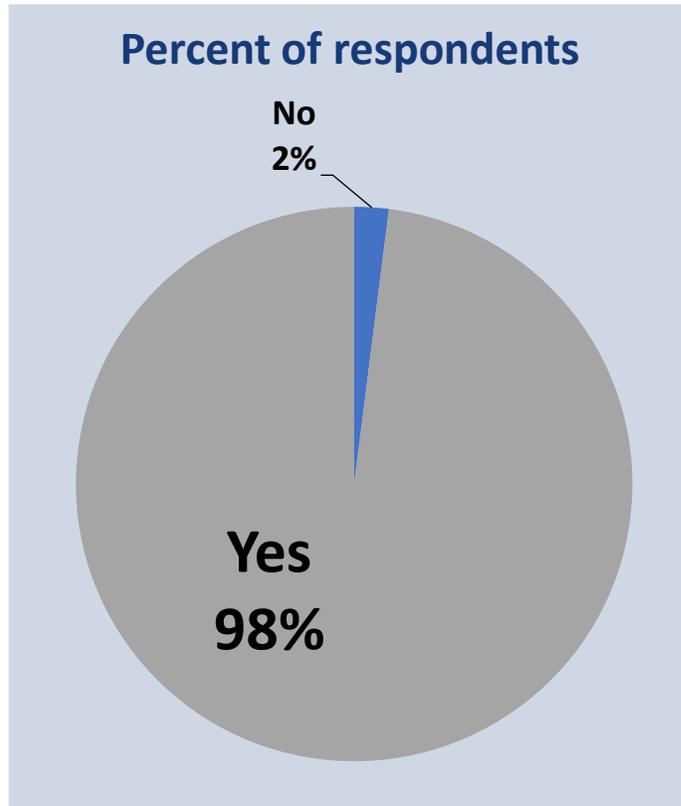


“There are not nearly enough GRAPs in almost all of the states. ... In Houston, for example, there are only two qualified electrical apprenticeship programs in a city of 7.12 million people.”



# Unclear Union Work Rules Will Increase Prevailing Wage Compliance Burdens

*Question:* In circumstances where a collectively bargained union wage rate prevails within a locality, IRA contractors may be required to ensure that workers comply with union work rules, which are frequently not available to the public. Do you believe this will increase the burden of complying with IRA prevailing wage requirements?



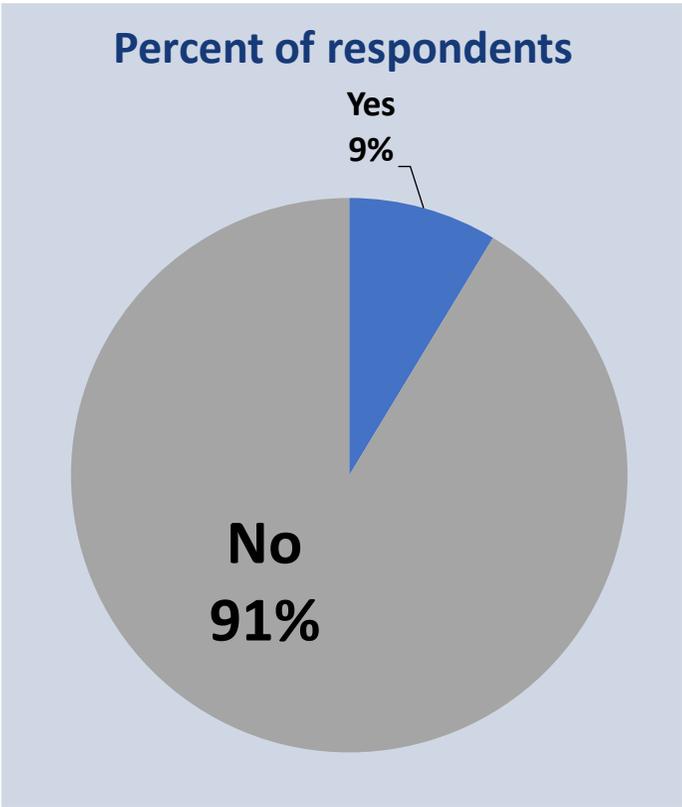
“

We have experience working with union wages [on] certain publicly funded projects. Getting information and gaining understanding has always proved to be a difficult feat.”



# Good-Faith Exception Viewed as Unworkable and Not Aligned With Current GRAP Practices

*Question:* The proposed rule allows a good-faith exception to the apprenticeship requirement if a contractor requests apprentices from a GRAP and is unable to procure them. Specifically, the taxpayer would be deemed to satisfy the GFE after submitting a written request for apprentices and being denied or failing to receive a response within five business days. After a request is denied or ignored, a taxpayer must submit an additional request within 120 days to maintain the GFE. Overall, do you believe the GFE is workable as written and aligns with current GRAP practices?

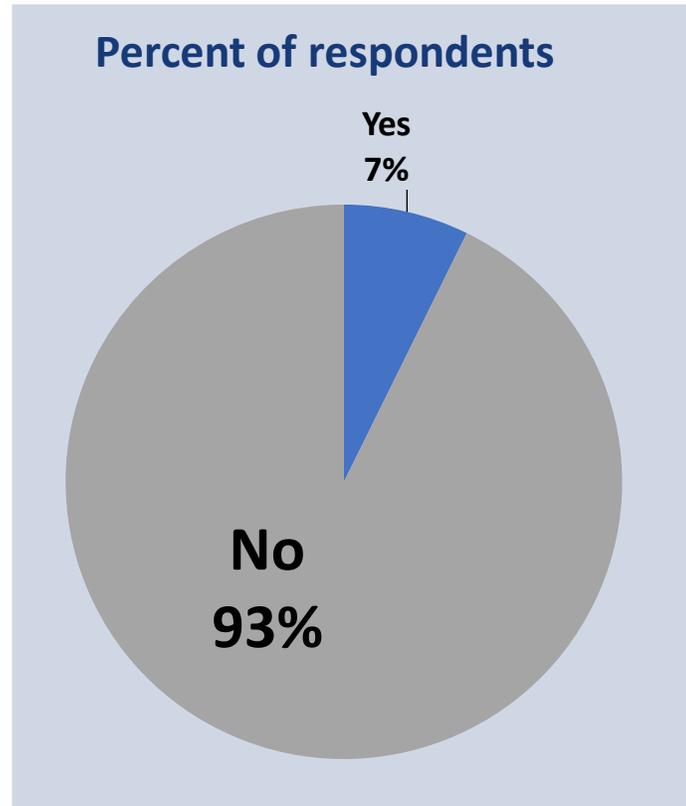


“As [a] merit shop contractor, we do not have a [union] hall to reach out to for apprentices. The nearest ABC chapter [GRAP] is what we would have to do, and who knows if the IRS will [accept] this as good faith per their interpretation. Also, speaking to our union subcontractors, they don’t believe they will achieve this requirement.”

“Clients are not accepting good-faith efforts as it puts their tax credit at risk.”

# Not Enough Clarity in GFE Guidance

*Question:* Additionally, the proposed rule states that the GFE “would be specific to the request for apprentices ... including the number of apprentice hours for which the request for apprentices has been made.” Does this guidance provide sufficient clarity on how the GFE will apply to the overall apprenticeship labor hour requirements?

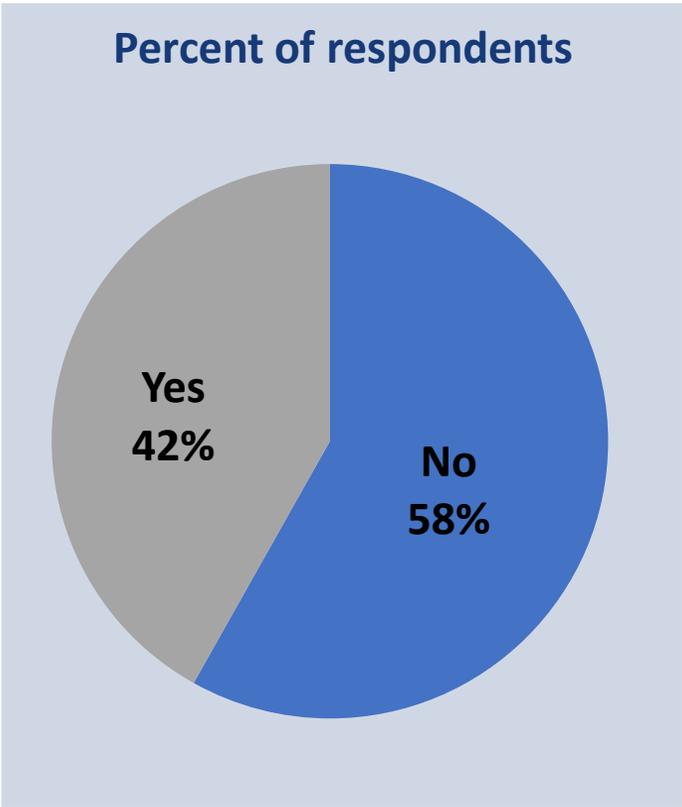


“No. I don't think there is any pool of apprentices “available” for nonunion [companies]. The unions can't find enough of them either. ... [Nonunion companies] need to find and designate apprentices within a program that we create with assistance from partners.”



# Some Respondents Have Faced Delays Due to Lack of Regulatory Clarity

*Question:* Have you experienced delays on any projects receiving IRA tax credits due to a lack of regulatory clarity?  
(Responses from members that confirmed they have worked on at least one project receiving IRA tax credits)



“

Absolutely. Implementing IRA properly and thoroughly for relevant projects comes at a huge [total installed cost] increase for our clients, and several are calculating whether or not the investment is worth it, particularly since auditing and enforcement guidance is not perfectly clear.”

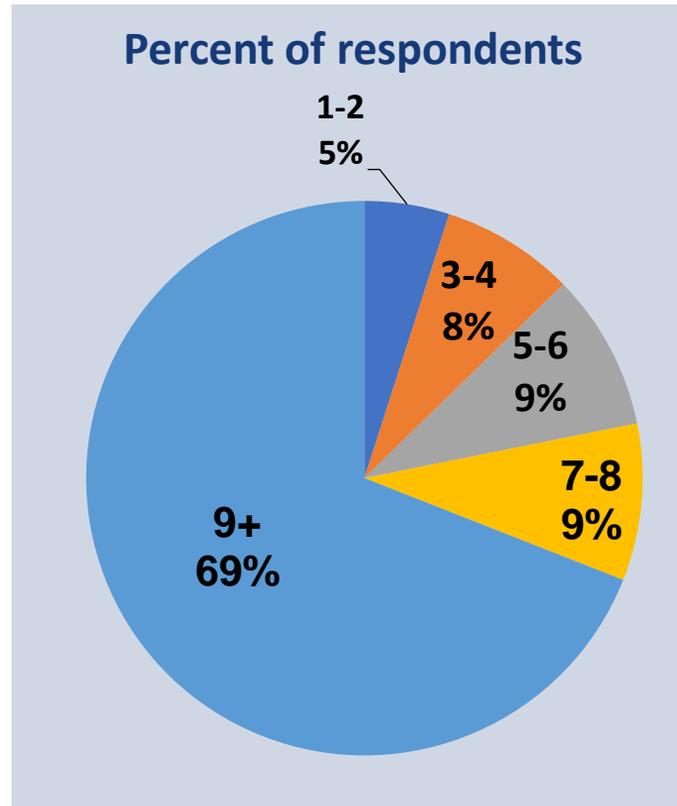
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Yes, confusion with interpretations—by owner, [general contractor], subs—[have] all caused delays on at least one project we are working in receiving IRA credits.”



# The Proposed Rule Drastically Underestimates Compliance Burdens

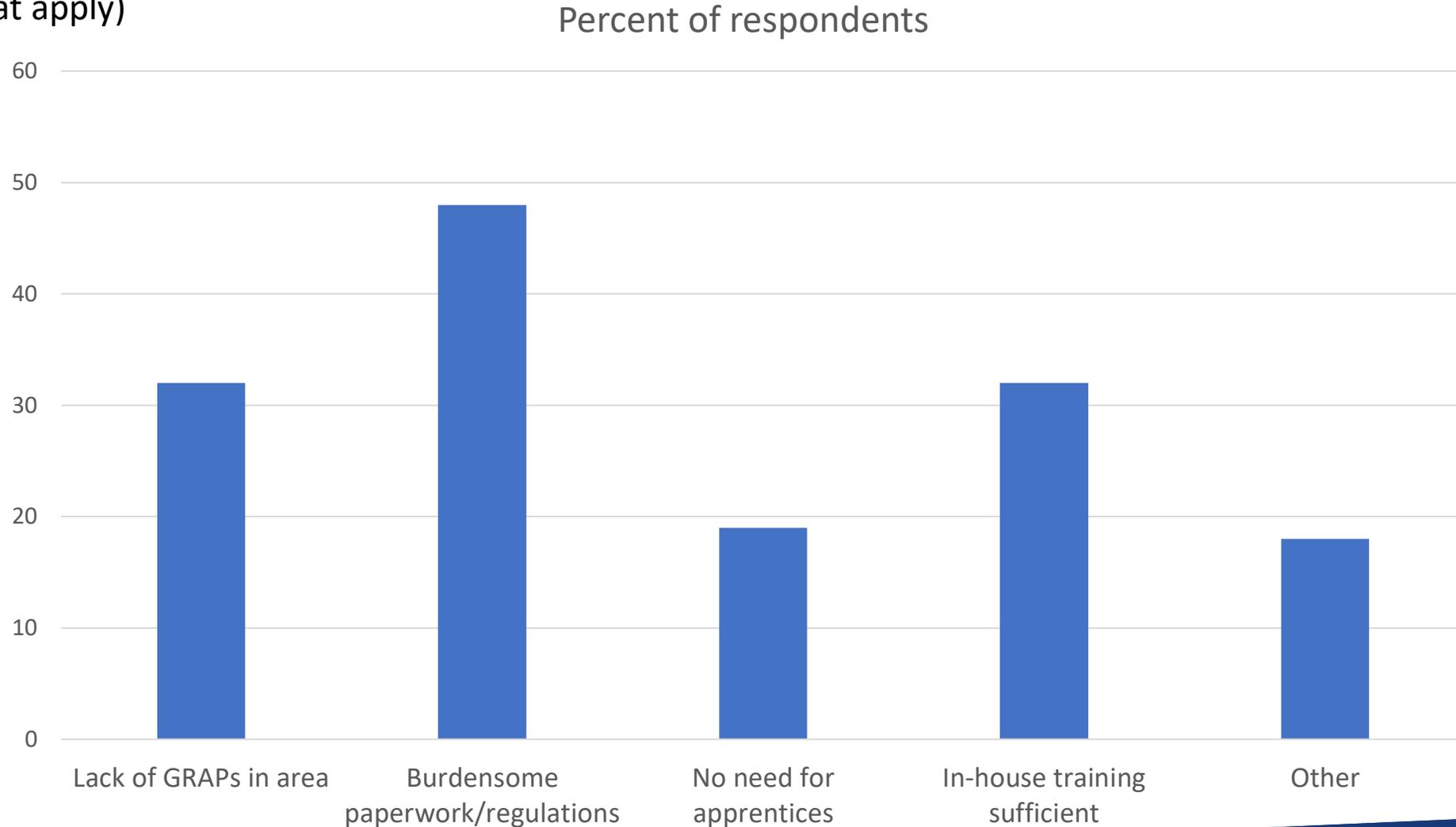
*Question:* The IRS estimates that complying with the proposed rule by displaying prevailing wage rates and dispatching requests to GRAPs for apprentices will take taxpayers/contractors two hours annually. Approximately how many hours do you estimate these activities will take annually for IRA projects?





# Contractors Cite Burdensome Regulations, In-House Training as Reasons for GRAP Nonparticipation

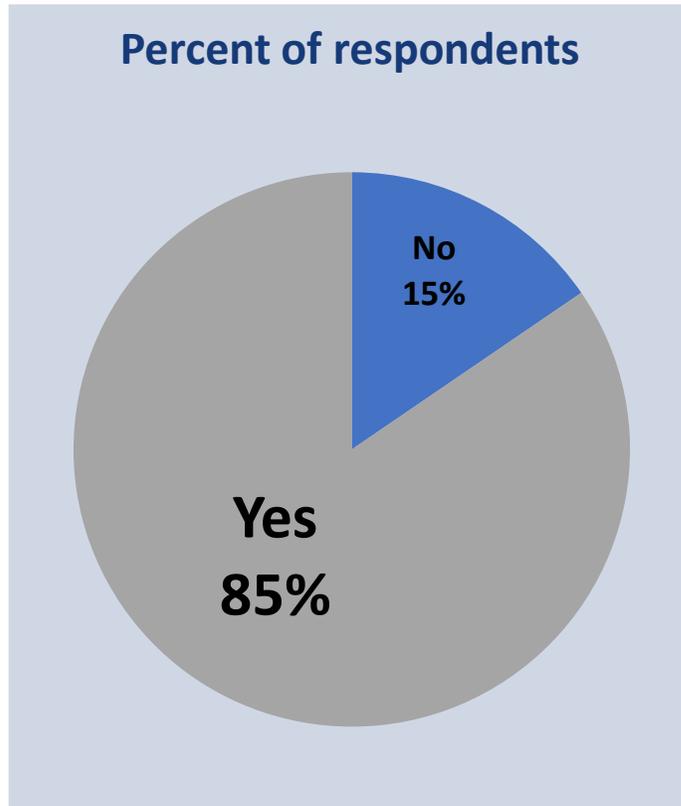
*Question:* If your company does not currently participate in any GRAPs, what are the reasons for your nonparticipation? (Check all that apply)





# Apprenticeship Ratios Likely To Limit Ability To Meet Labor Hour Requirements

*Question:* Will apprenticeship ratios likely limit your ability to meet the 15% total labor hours threshold?



“

In some cases it could require more [journeyworkers] than we need on the project.”



# Additional Comments

*Question:* Please leave any final thoughts on IRA implementation in the space below.

“

Given that our backlogs are very strong, we will likely choose not to pursue projects [that] add these burdens to contractors. ... Adding new administrative burdens to contractors in this labor environment will be a disincentive for contractors to choose to participate in the IRA projects.”

“

The IRA will be detrimental to small, rural businesses, [that] are our main subcontractors. Merit shops without prevailing wage and apprenticeship programs have been historically exceptionally successful and have brought many available technologies and resources to green energy [providers] and consumers; Implementing these new requirements will eventually drive customers and contractors away from this sector.”

“

By placing these burdens on contractors, unintended consequences will include additional cost to build projects [and] delays due to lack of qualified workers. We have a shortage now that will only be made worse, as many folks who would normally hire on will not because many do not wish to be in an apprenticeship program. They will seek work elsewhere. Because of increased cost to build projects, the cost of goods and services will also increase, for all.”

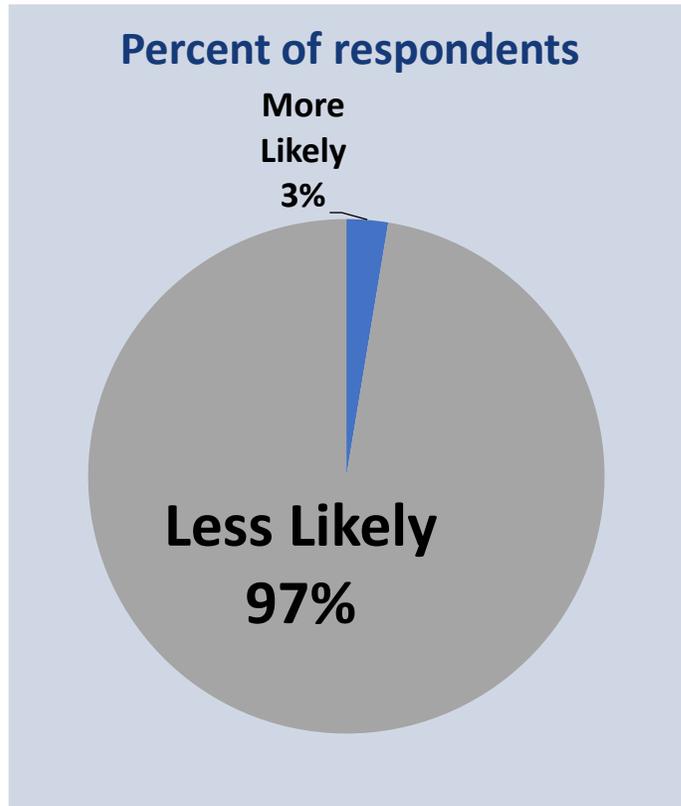
# Small Business Insights

(Responses from members that self-identified as small businesses under the Small Business Administration's [size standards](#))



# Prevailing Wage and GRAP Requirements Make Small Businesses Less Likely to Compete

*Question:* Do the proposed rule's prevailing wage and GRAP requirements make you more or less likely to bid on clean energy projects subject to IRA requirements?



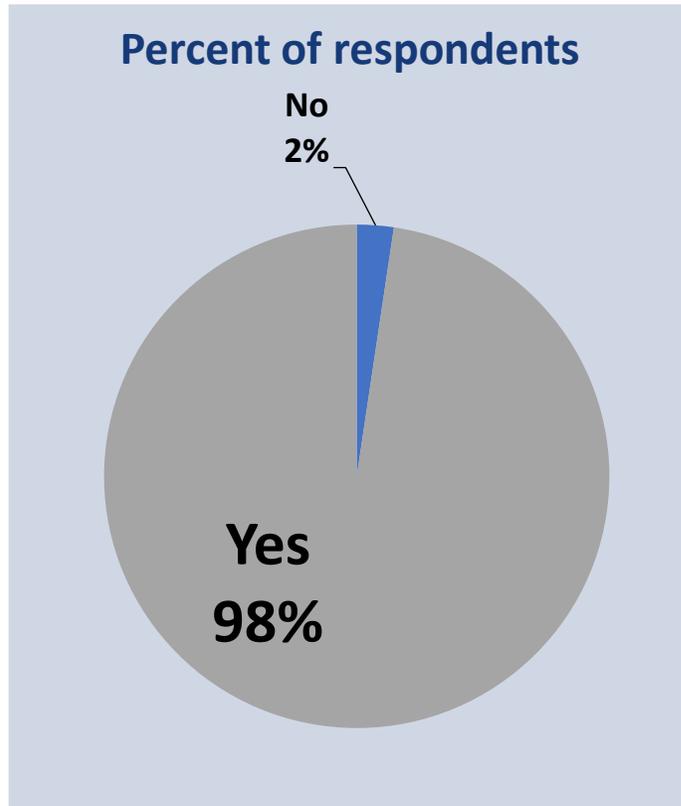
“

Almost no companies of our size have an apprenticeship program that is not associated [with] a union. This is going to strongly favor union signatory companies.”



# Small Businesses Concerned About Unclear Union Work Rules for Prevailing Wage Compliance

*Question:* In circumstances where a collectively bargained union wage rate prevails within a locality, IRA contractors may be required to ensure that workers comply with union work rules, which are frequently not available to the public. Do you believe this will increase the burden of complying with IRA prevailing wage requirements?



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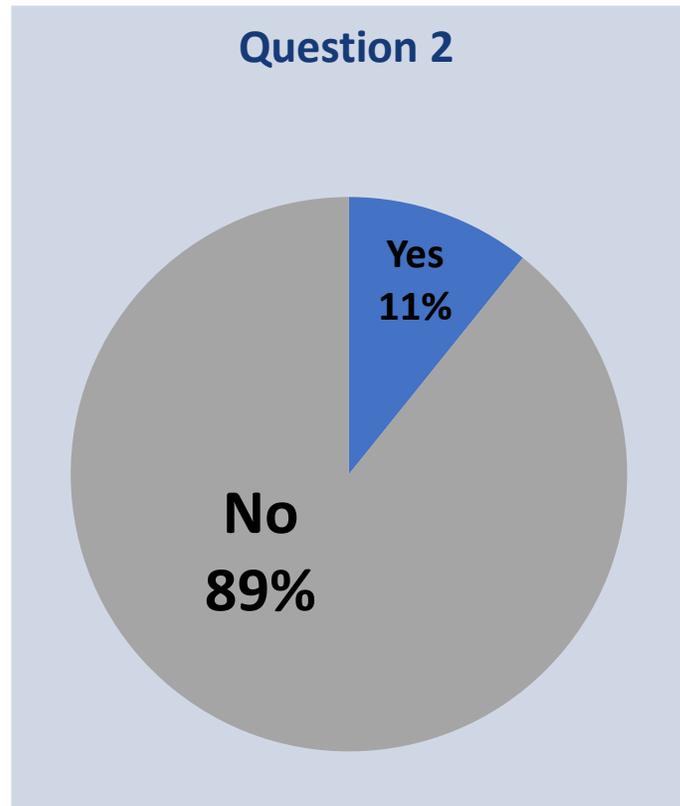
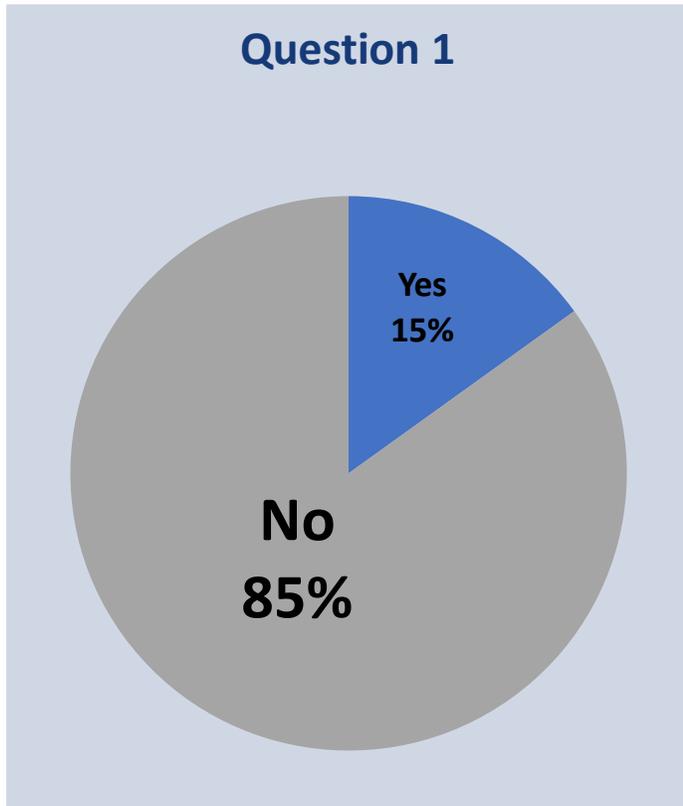
There is no way a nonsignatory [company] can know all of the minutiae of the union agreements.”



# Small Businesses Say Available GRAPS and Apprentices Are Not Sufficient

*Question 1:* The proposed rule implements requirements for GRAP labor hours to be at least 12.5% of all construction labor hours in 2023 and 15% in 2024 and thereafter. Have the necessary GRAPs been established in your area to make meeting this requirement feasible?

*Question 2:* Additionally, are sufficient apprentices enrolled in relevant GRAPs in your area to provide a workforce capable of meeting the labor hour requirements outlined above?



“

This has been difficult for us and our subcontractors [since] many of our subs have had a difficult time either setting up their own program or finding a partner who runs an apprentice program.”



# Small Businesses Overwhelmingly Disagree With IRS Compliance Burden Estimate

*Question:* The IRS estimates that complying with the proposed rule by displaying prevailing wage rates and dispatching requests to GRAPs for apprentices will take taxpayers/contractors two hours annually. Approximately how many hours do you estimate these activities will take annually for IRA projects?

