

Fiscal Estimate Narratives

DOA 3/3/2015

LRB Number	15-0698/3	Introduction Number	AB-0032	Estimate Type	Original
Description Elimination of the requirement that laborers, workers, mechanics, and truck drivers employed on the site of a project of public works be paid the prevailing wage					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, laborers, workers, mechanics and truck drivers employed on the site of certain projects of public works to which the state or any state agency is a party or which is undertaken by a local government, or projects for the construction or improvement of highways to which the state is a party, must be paid a prevailing wage and may not be required or permitted to work more than the prevailing hours of labor per day and week. Prevailing ("average") hourly wage rates and hours for construction and trades industries in each Wisconsin county are determined by the Department of Workforce Development (DWD) based on employer surveys. The response rates for these surveys has typically been low (often 10% or lower), and in certain cases where insufficient data is collected for a county, the prevailing wage and hours of labor are determined based on statewide rates. This bill would eliminate prevailing wage laws and continue to prohibit local governments from enacting or administering prevailing wage laws and ordinances.

It has been argued that prevailing wage laws create an artificial floor on wages, which thereby increases the cost of public works projects. Therefore, should the changes provided for in this legislation result in lower bids for public projects, the costs (and bonding)/debt of almost all building construction projects undertaken by the Department of Administration (Department) would decrease, as in 2013 and 2014, 377 of 404 contracts (93%) and 231 of 255 contracts (97%), respectively, for building construction services were subject to prevailing wages and hours of labor. (The lower number of contracts in 2014 is related to the implementation of Single Prime Bidding legislation, and not prevailing wage requirements.) The total amount of decreased costs is indeterminate, however, as data is not available to ascertain the rate that may be offered by contractors via the bidding/RFP process in the absence of the prevailing wage law.

The Department assesses a building design construction and supervision fee based on project cost for building construction projects. The Department estimates a decrease in revenues of an indeterminate amount based on indeterminate decreased costs.

Given that this legislation would repeal the prevailing wage requirement for state, local and highway projects, a similar impact could be realized by local public entities.

Long-Range Fiscal Implications