

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-2889/1	Introduction Number SB-216
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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

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By UWS/ Tawseef Talukdar (608) 265-8501	Authorized Signature Renee Stephenson (608) 263-4422	Date 4/21/2017
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Fiscal Estimate Narratives

UWS 4/21/2017

LRB Number	17-2889/1	Introduction Number	SB-216	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

According to the Department of Workforce Development, prevailing wage laws were enacted to discourage the awarding of public works contracts to employers who frequently underbid local employers by paying their workers substantially less than other workers in an area. Governmental agencies were precluded from awarding contracts exclusively to local employers because bid laws required that contracts be awarded to the lowest responsible bidder. This problem created instability in the local construction industry.

The proposed bill eliminates the state prevailing wage laws.

Because labor is a significant component of construction costs, elimination of the prevailing wage law could have an impact on the cost of university capital projects. However, the UW System does not have adequate information to create a meaningful fiscal estimate for this bill. In particular, an analysis cannot be completed for the following reasons:

- The UW System has limited access to the true cost of labor on university construction projects.
- The impact of eliminating the prevailing wage law will vary across the state based on local labor markets. The UW System does not have detailed labor information on Wisconsin labor market dynamics.
- It is unclear how many university capital projects will be approved and constructed in the next decade. As such, the potential savings or additional costs cannot be estimated.
- Anecdotally, there is a shortage of skilled labor for capital projects as Wisconsin workers take work in other states and retire. For examples, please see http://host.madison.com/business/as-trades-rebound-demand-for-apprentices-grows/article_2e2c2729-964c-5648-bd2a-045b93d01432.html and <http://www.wpr.org/unions-dakotas-see-construction-workerswilling-put-down-roots>. The UW System does not have adequate quantitative data to assess the possible migration of skilled workers to other states if the prevailing wage law is repealed.
- Some authors suggest that a reduction in wages for skilled workers will result in employers hiring more workers who are less skilled to compensate for lost productivity. Hiring more workers would offset potential savings from lower wages. However, the referenced papers are not peer reviewed, and UW System does not have data to confirm this hypothesis.

Long-Range Fiscal Implications

The UW System is cognizant of the importance of quality in the construction of its facilities. University laboratories and buildings are often highly-technical facilities that are more difficult to construct than standard residential or commercial buildings. Proper construction is important to managing ongoing maintenance, repair, and renovation costs.

Additionally, university buildings are generally expected to last longer than commercial buildings. Low-quality construction can result in higher costs over decades.

University buildings may also house expensive research equipment or sensitive electronic infrastructure that can be catastrophically damaged if the building fails (e.g., water pipe rupture in a server room). Loss of service, loss of employee productivity, the cost of repairs, and equipment replacement are costly.