

**STATE SENATOR**  
**Leah Vukmir**

**Senate Committee on Labor & Regulatory Reform**

Monday, April 24, 2017

**Senate Bill 216**

Chairman Nass, committee members, thank you for taking time today to hear testimony on Senate Bill 126. It is my honor to join Rep. Hutton to give voice to our constituents as we fight for a commonsense reform that will protect taxpayers.

Currently, state law says that for all projects that go out for bid by contractors, a government-mandated prevailing wage must be paid to labor resulting in wages that do not accurately reflect those which would be paid in the private sector.

Rep. Hutton and I authored this proposal two years ago, but we had to strike a compromise which removed the unfunded mandate only for local government. We also streamlined state law so Wisconsin and the federal government didn't have separate formulas for calculating the prevailing wage. We also eliminated the requirement for municipalities, counties and school districts from having to pay the prevailing wage, giving relief to their taxpayers. It's time that the state have the same tool at our disposal.

The full repeal of prevailing wage will help us effectively manage our budget, will promote a marketplace that supports a level playing field, encourages competition, and avoids favoritism. Repealing prevailing wage will produce greater transparency, eliminate unintended discrimination, and ultimately save our state hundreds of millions of dollars. These dollars can be better allocated towards investments in education, sustaining critical community services, infrastructure, and needed tax relief.

Some today will argue that repealing the prevailing wage requirement will have a direct impact on the quality of workmanship. That simply isn't true. After they deregulated their bidding process and repealed the prevailing wage laws, Ohio and Kentucky found that quality of projects had not diminished at all — and for some projects it was even better than before.

One of the most controversial topics in the Capitol right now is the transportation budget. I was disappointed to see this reform removed from the governor's budget. As lawmakers, we have a responsibility to manage transportation costs so taxpayers are not overburdened and Wisconsin can afford needed infrastructure improvements across the state. It's unrealistic to do so without the accessibility of all tools.

Decisions we make today will directly impact the quality of life for the next generation and those that follow, ensuring that our spending trajectory in Wisconsin is fiscally responsible is one of the ways we can make certain others will have a bright future.

Thank you again for your consideration of Senate Bill 216. At this time we would be happy to answer any questions.

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# Rob Hutton

STATE REPRESENTATIVE • 13<sup>TH</sup> ASSEMBLY DISTRICT

April 24, 2017

To: The Senate Committee on Labor and Regulatory Reform  
From: Rep. Rob Hutton  
Re: Senate Bill 216

## Testimony of Rep. Rob Hutton in Support of Senate Bill 216

Mr. Chairman and members of the committee, I thank you for giving Senate Bill 216 the opportunity for a public hearing. Over the past several months there have been many facts and opinions offered regarding Wisconsin's Prevailing Wage law. The public hearing format is certainly the appropriate venue for arguments to be made on both sides of this issue.

Prevailing Wage is an artificial market rate set by the government that contractors are required to pay their workers when bidding on publically funded construction projects. Originally passed by lawmakers in D.C. during the Depression Era, this Davis-Bacon law was created to protect the wages of local contractors from competitive forces of out-of-state and southern migrant workers. Many states soon passed their own Prevailing Wage laws, including Wisconsin in 1931.

Today, Prevailing Wage is an archaic law that boxes out many firms from participating in public construction projects. The results, as we have seen in the nonpartisan Wisconsin Taxpayer Alliance study, are wage rates that can be up to 45% over market comparables. These artificially inflated wages increase the cost of government projects by 10-15%, costing taxpayers hundreds of millions of dollars annually.

This law also discriminates against many contractors, who otherwise are well qualified to compete for public construction projects, because they simply can't afford to pay their employees inflated wages often reflective of upper scale union salaries. Combine that with the costly time of responding to arduous government surveys, and many local and minority firms are unable to even bid on projects they are otherwise well qualified for.

Last session we removed this mandate from applying to local governments. Now local governments have added flexibility to allocate resources into the community. These changes are most impactful on our rural communities who can least afford to fund capital projects, yet often experience the greatest discrepancies when it comes to complying with Prevailing Wage law.

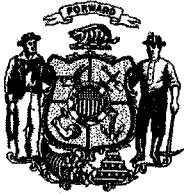
With this legislation, Wisconsin will join 20 other states who are free of Prevailing Wage laws. Two of these states, Indiana and West Virginia, repealed prevailing wage since the introduction of our original bill in 2015. In fact, West Virginia's legislature took the bold move of overturning their Governor's veto of the legislation to ensure that the prevailing wage law was repealed.

Regardless of our party affiliation, we can all agree we must maintain a marketplace that insures equal opportunity, provides a level playing field, encourages competition, and avoids favoritism based on

race, religion, gender, or social status. The elimination of prevailing wage is consistent with those ideals. We need to stop the practice of "wage fixing" for government projects and let the free and fair market broaden bid participation allowing Wisconsin's tax dollars to stretch further.

Repealing Prevailing Wage will produce greater transparency, eliminate unintended discrimination, and ultimately save our state hundreds of millions of dollars year after year. These expenses can be better allocated towards investments in education, sustaining critical community services, investments in our state's infrastructure, and needed tax relief.

This legislation will help set the spending trajectory for Wisconsin for the next 100 years. Decisions we make today will directly impact the quality life for the next generation and those that follow. Mr. Chairmen and members of the committee, thank you again for the opportunity to testify before you this morning.



## Legislative Fiscal Bureau

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April 24, 2017

TO: Representative Katrina Shankland  
Room 304 West, State Capitol

FROM: Ryan Horton, Fiscal Analyst

SUBJECT: Prevailing Wage Laws

This memorandum provides information related to federal and state prevailing wage laws and reviews research on the potential impact of prevailing wage requirements on construction costs. In addition, the memo provides information on bills introduced in the 2015-16 and current legislative session and provisions enacted in the 2015-17 biennial budget regarding changes to the state's prevailing wage law.

### Prevailing Wage

Generally, federal and state prevailing wage laws for state public work projects require that certain laborers, workers, mechanics, and truck drivers employed on a state public works project be paid the prevailing wage rate. This rate is determined by the United States Department of Labor (USDOL) with regard to federal law known as the Davis-Bacon Act. As of January 1, 2017, the state prevailing wage rate also means the rate as determined under the Davis-Bacon Act.

State prevailing wage rates apply to any project of public works erected, constructed, repaired, remodeled, or demolished for the state or a state agency, including any office, department, independent agency, institution of higher education, or other body in state government created by the Constitution or state law (state building prevailing wage law). Included in this definition is the University of Wisconsin Hospitals and Clinics Authority, the Fox River Navigational System Authority, and the Wisconsin Aerospace Authority. The Department of Administration (DOA) administers and enforces federal and state prevailing wages laws for state building projects.

State prevailing wage rates also apply to any project under a contract based on bids to which the state is a party for the construction or improvement of any highway (state highway prevailing wage law). The Department of Transportation (DOT) administers and enforces federal and state prevailing wages laws for highway and bridge construction projects.

Federal and state prevailing wage laws apply based on certain project funding or cost thresholds. Federal prevailing wage applies to any public building or works project that receives \$2,000 or more of federal funds. In Wisconsin, for a single trade project, the threshold is \$48,000, whereas the threshold for a multiple-trade project is \$100,000. A "single trade project" is defined as one in which a single trade (such as a carpenter, glazier, or electrician) accounts for 85% or more of the total labor cost of the project. A "multiple-trade project" is defined as one in which no single trade accounts for more than 85% of the total labor cost of the project.

Workers to whom federal and state prevailing wage laws apply may not be permitted to work a greater number of hours per day or per week than the prevailing hours of labor, unless they are paid for all hours worked in excess of prevailing hours of labor (40 hours per week) at a rate of at least 1.5 times their hourly basic rate of pay. State law also stipulates that prevailing hours of labor do not include hours worked in excess of 10 hours per day, on Saturday or Sunday, or on certain holidays, and that these hours must be paid at a rate of at least 1.5 times the hourly basic rate of pay.

#### **Prevailing Wage Law Changes and Proposals: 2009 to 2014**

In 2009, the state budget included provisions which expanded the applicability of the state's prevailing wage laws. The threshold for requiring payment of the prevailing wage rate was lowered to \$25,000 in total project costs and a new class of project was created - publically funded private construction projects - which required the payment of the prevailing wage rate. Publically funded private construction projects included any project that received \$1 million or more in governmental grants, loans, funding, or property transfers from a local government unit. In addition, the act required a contractor, subcontractor, or agent on a project subject to prevailing wage requirements to electronically submit to the Department of Workforce Development (DWD) a certified monthly payroll report.

In 2011, the state budget reversed several of the 2009 law changes. The act generally prohibits local prevailing wage laws and repealed the applicability of the state prevailing wage law to publically funded private construction projects. The act also created the tri-tiered threshold (\$48,000, \$100,000, and \$234,000) that exists today. Certain project types were exempted from the prevailing wage law. In addition, contractors on a prevailing wage project were no longer required to submit a monthly certified record of their employees to DWD.

In the 2013-14 legislative session, five Assembly bills and three Senate bills were introduced that directly addressed Wisconsin's prevailing wage law. The session expired without passage of any of the eight bills.

From 2009 through 2014, fiscal notes attached to bills addressing the state's prevailing wage law were produced by state agencies including DOA, DWD, DOT, Department of Public Instruction (DPI), and Department of Corrections. In no instance did an agency calculate an estimate of the potential project cost savings to a government associated with changes to the state's prevailing wage law. In some instances, fiscal estimates from DWD described that project savings "may" or are "likely to" materialize, but did not provide actual estimates. DWD did state in several

of its fiscal notes that "to the extent that prevailing wage rates reflect the rates paid locally there would be no savings by having a construction project not covered by the prevailing wage laws as compared to being covered."

### **2015 Assembly Bill 32**

In 2015, Assembly Bill 32 (AB 32) was introduced which would have eliminated the state prevailing wage law, the local prevailing wage law, and the state highway prevailing wage law. The bill retained the prohibition against local governments enacting or administering their own prevailing wage laws or similar ordinances.

Fiscal notes for AB 32 were submitted by eight state agencies. Fiscal notes from the Department of Natural Resources (DNR), Department of Justice (DOJ) and Wisconsin Technical College System (WTCS) cited either indeterminate or no state and local fiscal effect.

DOA's fiscal note for AB 32 determined that there would be a decrease in existing appropriations and in existing revenues to the Department for project oversight due to decreased state building project costs as a result of the bill. However, the amount of decreased costs were indeterminate because data was not available to ascertain the rate that may be bid by contractors in the absence of the prevailing wage law. DOA noted that for the preceding two years 93% to 97% of building construction contracts were subject to prevailing wage laws, but the number of these contracts subject to federal law was not available.

The fiscal note from the UW System stated that insufficient data existed to make an estimate of the bill's impact on capital projects while noting that labor is a significant component of construction costs and the impact would likely vary based on local labor markets. The note also raised concerns regarding the potential migration of skilled workers to other states and that a wage reduction could result in hiring more lower skilled workers which could affect project quality and longer-term maintenance and repair costs.

The Department of Revenue (DOR) identified no state fiscal effect in its fiscal note for AB 32. DOR's fiscal estimate for local governments is marked indeterminate, although the Department did include a description of potential savings on local government construction projects which would no longer be subject to prevailing wage requirements. DOR's calculation assumed \$1.32 billion in local government construction expenditures in Wisconsin subject to state prevailing wage requirements, with 18.9% of the net value of construction being attributable to labor costs. DOR estimated a potential decrease in wages of 14.1% due to the absence of prevailing wage laws (derived by comparing a statewide U.S. Bureau of Labor Statistics sample of construction occupations to a weighted average of a sample of DWD prevailing wage determinations), and 50% of labor savings being passed through from contractors to local governments as reduced construction bids. Using this set of assumptions, DOR noted the potential of \$18 million in savings (1.3% of total project costs) on an annual basis to local governments as a result of the bill. The Department did not identify local government expenditures for projects which receive federal funds and thus would still be subject to federal Davis-Bacon wage requirements. The estimate also assumed that the absence of a prevailing wage requirement would not result in any decrease in

worker efficiency. Further, the sample of county-level prevailing wage data used did not match up the expenditure data to actual local projects undertaken.

The fiscal note from DWD detailed administrative cost savings from the elimination of the state's prevailing wage program. The Department would no longer need to administer its annual survey or computer applications that calculate prevailing wage rates. According to DWD, this would enable the Equal Rights Division to reduce total full-time equivalent (FTE) staff by 4.0. Eliminating these positions would save \$358,000 GPR annually in salary, fringe, supplies and services costs. Further, DWD noted potential savings related to a reduction in complaints from state prevailing wage projects. However, due to construction timelines and the two-year window for complaints to be filed, these savings would not be fully realized for two to five years after enactment. Beyond these savings in administration of the state prevailing wage law, DWD was unable to determine the fiscal impact of the bill on local and state governments.

DOT found that the bill would result in fewer investigations required by staff relating to wage and compliance matters. The Department estimated this would result in an estimated "one-time" decrease in administrative costs of approximately \$194,800 associated with prevailing wage activities; with this workload being absorbed to meet other required duties in the longer term. The Department noted indeterminate cost decreases for state and local units of government. Concerning DOT project costs, construction projects that are advertised for bid, or "let," are generally subject to prevailing wages. DOT project "delivery" costs, such as design, engineering, consulting, real estate, and state staff costs are typically not subject to prevailing wage requirements and were not included in their analysis. Project lets with at least \$2,000 in federal participation would not be impacted by this bill due to Davis-Bacon. State only spending on construction lets with no federal participation represents approximately 17.5% of spending (\$1.12 billion annual average for the last three years) on highway construction projects, or approximately \$196 million annually, with labor costs estimated at 20% to 25% of construction costs. These calculations could result in non-federal project labor costs of roughly \$44 million per year. However, DOT did not make an estimate of overall labor savings and noted that any potential savings would only be realized if passed on by contractors through lower bids.

AB 32 failed to pass the Legislature during the 2015-16 legislative session.

### **2015 Senate Bill 411**

2015 Senate Bill 411 (SB 411) would have effectively transferred FED and SEG between the highway program and the surface transportation program (a local assistance program for the rehabilitation of major roads under local jurisdiction). This transfer or series of transfers was intended to make the surface transportation program an entirely SEG-funded program. This change was also intended to produce a funding structure that would result in some number of projects no longer being subject to state or federal prevailing wage laws.

In its fiscal note to SB 411, DOT reported the fiscal effect of the bill as indeterminate. However, the Department did produce a number of assumptions to arrive at a rough estimate of savings that could result from additional projects not being subject to prevailing wage

requirements. DOT assumed that 83% of total project costs are construction related expenses and that labor costs are up to 25% of those construction costs. DOT's fiscal note also estimated that the Department could save up to five percent of construction labor costs for projects not subject to prevailing wage requirements. Using these assumptions (83% of projects costs are construction related, up to 25% of construction costs are labor related, up to five percent lower labor costs on construction projects), DOT estimated that certain local government project costs, in the absence of federal prevailing wage requirements, could decrease an estimated one percent.

With regard to federal funding of state highway projects, federal highway aid typically requires a non-federal match from state and local funding sources. Therefore, federally funded highway projects are also generally supported by a mix of state or local funding, or a combination thereof. In the absence of state prevailing wage laws, or if highway construction projects were exempted from such state laws, federal prevailing wage laws would continue to apply to highway construction projects using federal funds in excess of \$2,000.

SB 411 failed to pass the Legislature during the 2015-16 legislative session.

### **2015 Wisconsin Taxpayers Alliance and the Associated Builders and Contractors Report**

On March 29, 2015, the Wisconsin Taxpayers Alliance (WTA) and the Associated Builders and Contractors (ABC) released a report entitled "Evaluating Wisconsin's Approach to Determining Prevailing Wages." As indicated by the title, the WTA/ABC study examined the Department of Workforce Development (DWD) method for calculating prevailing wage rates and the implications of that particular calculation method. The study found DWD-calculated state prevailing wage packages (hourly wage rate plus benefits) to be an average of 44% higher than WTA/ABC-calculated "market" wage packages [calculated using Bureau of Labor Statistics (BLS) data] across 10 construction occupations in 18 Wisconsin counties. Using these wage estimates and assuming labor costs were 25% of total project costs, the study found that state and local governments could save 11.3% on public projects by paying "market" wage rates, as calculated by WTA/ABC, as opposed to paying DWD-calculated wage rates derived from annual Department-administered surveys of employers. To arrive at the report's 11.3% savings estimate for public projects, the WTA/ABC utilized the "wage differential" methodology to studying prevailing wage effects on construction costs. The wage differential approach in analyzing the impact of prevailing wage laws on construction costs is discussed in more detail in the last section of this memo.

Since the release of the WTA/ABC study, 2015 Act 55 repealed all provisions directing the DWD to determine prevailing wage rates and redefined "prevailing wage rate" for state projects to instead mean the applicable prevailing wage rate for an area as determined by the U.S. Department of Labor under the federal Davis-Bacon Act. The effective date of this provision was January 1, 2017. The WTA/ABC study did not compare the BLS wage rates to the federal Davis-Bacon wage rates for selected occupations.

### **2015 Wisconsin Act 55**

Signed into law on July 13, 2015, the 2015-17 biennial budget (Act 55) repealed the state



prevailing wage law that applies to local projects of public works (counties, villages, towns, cities, school districts, municipal utilities and technical colleges) beginning in 2017, but maintains the current requirement that prevailing wage rates be paid on state building and state highway projects as well as retains the current project cost thresholds for these projects (generally, \$48,000 for single-trade projects and \$100,000 for multiple-trade projects).

Specifically regarding the calculation of the prevailing wage rate for state building and state highway projects, Act 55 repealed all provisions directing DWD to determine prevailing wage rates and redefines "prevailing wage rate" for these projects to instead mean the applicable prevailing wage rate for an area as determined by the U.S. Department of Labor under the federal Davis-Bacon Act.

Act 55 also eliminated DWD's role in enforcing and administering the state prevailing wage law and transferred that role to DOA. DOA was provided with rule-making authority, including emergency rule-making authority, to administer and enforce the state prevailing wage law other than for state highway projects which would continue to be administered by DOT.

These provisions, and certain other more minor changes to Wisconsin's prevailing wage law, went into effect on January 1, 2017, and apply to any request for bids issued on or after that date.

### **2017 Senate Bill 216**

Introduced on April 21, 2017, Senate Bill 216 (SB 216) would eliminate the state prevailing wage law for state building and state highway projects. Building and highway projects utilizing at least \$2,000 in federal funds would remain subject to the federal prevailing wage rates as determined by the U.S. Department of Labor under the Davis-Bacon Act. The bill would retain the current law prohibition against local governments enacting or administering their own prevailing wage laws or similar ordinances. No agency fiscal notes to SB 216 have been submitted at the time of this memo's release. The Senate Committee on Labor and Regulatory Reform will hold a public hearing on SB 216 on April 24, 2017.

### **The Prevailing Wage Debate**

Debates about prevailing wage laws have occurred as long as the laws have existed. Prevailing wage laws are opposed because such laws may unnecessarily increase labor, compliance and administrative costs as well as interfere with the efficient operation of markets. It is also argued that the method of determining the "prevailing" wage may be biased and unfair, because of the nature and extent of prevailing wage surveys (that is, survey results based on limited or unrepresentative returns). The potential negative impact on small firms is also cited as a cost of prevailing wage laws.

Prevailing wage laws are supported as a mechanism for encouraging development of the economy along a high-skill path that leads to more productive and cost-effective production. As a result, it is argued that workers are paid higher wages while not significantly increasing the cost of public construction. It is also argued that prevailing wage laws may increase the likelihood that

public construction projects will have a higher multiplier effect on the economy by increasing local economic output and the tax base. Proponents argue that contractors are more likely to train and hire the most skilled workers available, which increases the level of safety of the workplace, and decreases the likelihood of poor quality and cost over-runs on the project.

The following is a review of research which attempts to assess the impact of prevailing wage laws on construction costs.

### **Evidence on the Impact of Prevailing Wage Laws on Construction Costs**

A large body of research analyzing the impact of prevailing wage laws on construction costs has developed over time. A review of the literature related to prevailing wages and government contracting costs reveals three main research categories:

- a. wage differential approach,
- b. cross-sectional analysis ("with and without-law" comparisons), and
- c. time series analysis ("before and after" comparisons)

The wage differential approach consists of determining if wages under prevailing wage laws are higher, and assumes that the increase in wages is directly passed on to the government in higher contract costs. This is an intuitive approach and is consistent with the notion that if wage rates increase, so will the total construction costs. However, such approaches typically assume no change in the behavior of contractors in the face of higher wages and, therefore, pass the entirety of the increase in labor costs on to governments in the form of higher contract costs. This approach typically assumes that productivity, material costs, and the labor share of construction all remain constant. In addition, these studies typically do not control for other factors such as project location, project type, or time of year which also can significantly affect costs. A number of such studies including those studies by the GAO (1979), the Mackinac Center for Public Policy (1999 and 2007), the Beacon Hill Institute (2008), the Center for Government Research (2008), the Anderson Economic Group (2013), and WTA/ABC (2015) all find that prevailing wage laws increase project costs.

The cross-sectional analysis approach uses econometric techniques to compare the costs of construction when it is subject to prevailing wage laws and when it is not. The first econometric cross-sectional study of prevailing wage laws and construction costs used regression analysis to compare the costs of public construction contracts subject to federal prevailing wage regulation with the costs of private construction contracts that were not (Fraundorf et al. 1984). The results showed that public construction was on average 26.1% more expensive than private construction. (The authors acknowledged that, with labor costs about 30% of total construction costs, the estimate seemed somewhat high). This analysis was partially replicated in 1996 (Prus), but the comparison made was between public and private construction costs in states with prevailing wage laws to those costs in states without the laws. Prus did not find a statistically significant difference in construction costs in states with prevailing wage laws and in states without such laws. Studies by Philips (1996, 1998), Prus (1999), Azari-Rad et al. (2002; 2003), and Duncan (2011) generally

found construction costs were not statistically different for contracts subject to prevailing wage laws and those that were not. However, a study by Dunn et al. (2005) did conclude that prevailing wage rates in California increased construction costs for low-income residential projects. A study by Vincent and Monkkonen (2010) found that while the presence of prevailing wages laws increased school construction costs by 13%, it was the entire regulatory environment of a particular place that had the largest cost impact.

Time series analysis also uses econometric techniques to compare construction costs before and after, either repeal or enactment, of prevailing wage laws. Thieblot (1986) used President Nixon's suspension of the Davis Bacon Act in 1971 to compare contract bids before suspension with rebids after suspension. The differences in re-bids suggested a savings of 4.7% on government construction contract costs from suspension of Davis-Bacon. However, the original contract bids were made public before the re-bid process, meaning bidders had knowledge of their competitors' offers for projects. Studies by Bilginsoy and Philips (2000), and Philips (2001) found that prevailing wage laws caused no statistically significant increase in government construction costs. A 2009 and 2012 follow-up study by Duncan et al. finds that the introduction of prevailing wage laws in British Columbia disrupted construction efficiency in the short term but that, within a relatively short period of time, the construction industry adjusted to wage requirements by increasing overall efficiency. The authors conclude that a short-term decrease in construction efficiency, followed by a sharp and durable increase, supports the view that prevailing wage laws are not associated with higher, long-term construction costs.

Existing research on the impact of prevailing wage laws on construction costs is mixed and inconclusive. Excluding studies which assume that the entirety of any increase in wages is passed on to the government in higher contract costs (wage differential), the evidence on prevailing wage effects generally range from relatively small effects to no statistically significant effects (cross sectional and time series). Consequently, estimates of program cost reductions associated with the elimination or avoidance of prevailing wage laws should be tempered and viewed with caution. It should also be noted that wage rates can vary considerably by region (and over time). As a result, the geographic composition of projects within a program and the timing of bids in a given year may have substantial effects on actual costs, irrespective of whether or not projects are subject to prevailing wage laws. In addition, the degree to which any labor cost reductions associated with the elimination of prevailing wage would be passed on from contractors to state or local governments is also uncertain. Further, beyond direct labor cost effects, other aspects of prevailing wage legislation have been raised, such as potential effects of wage rates on the supply of skilled workers, project quality, and longer-term maintenance and repair costs.

## LEGISLATIVE TESTIMONY – April 24, 2017

### PAUL FISK LEGISLATIVE CHAIR OF THE WISCONSIN AMERICAN LEGION

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Good afternoon Chairman Nass and members of the committee.

My name is Paul Fisk, legislative chairman of the Wisconsin American Legion. The Wisconsin American Legion is the state's largest veterans' service organization with over 60,000 members and 507 posts in communities across Wisconsin serving troops, veterans and youth since 1919

Let me be frank and get straight to the point. The Wisconsin American Legion opposes the repeal of Wisconsin's Prevailing Wage Law.

Why? Because it hurts veterans and their families.

Peer-reviewed and credible studies with one in particular – the **Midwest Economic Policy Institute** – show just how much the repeal would negatively impact veterans.

When the study, titled "*Prevailing Wage and Military Veterans in Wisconsin*", came out in August 2016 our leadership took notice. The study maintains that **2,000 veterans** in the state stand to lose jobs and over **\$113 million** in lost wages if the remnants of Wisconsin's prevailing wage law is repealed by lawmakers. To our knowledge the study and its conclusions have not been refuted by credible economic experts of equal stature, which is why in January 2017 the American Legion's state Executive Committee adopted a resolution in support of wage protections in State, County & Municipal Contracts.

34,000 Wisconsin citizens have served since the fateful date of September 11, 2001 along with 14,000 members of the Wisconsin National Guard who have served in the Global War on Terror. Two thousand jobs is a statistically significant number. It means 2,000 veterans and their families are at economic risk and the communities they live in suffer economically along with them.

We hear from many returning veterans that they want to continue serving their country and build critical infrastructure for their communities. This is laudable and valuable work that both democrats and republicans agree is desperately needed to improve our ailing highways, roads and bridges.

Veterans are growing tired of political lip service where promises are made then broken in the name of scoring political points, expediency and votes.

Protecting family-supporting wages and, by extension, Wisconsin's Prevailing Wage law absolutely IS a veterans issue. The American Legion will not sit idly by when thousands of jobs could be eliminated and millions of dollars in wages lost leaving our veterans and their families hanging in the balance.

Protect veterans, vote against repeal of prevailing wage.

Thank you for your time, your service and the opportunity to be heard on this important issue for veterans.



**AMERICANS FOR  
PROSPERITY**

**WISCONSIN**

**TO: Honorable Members of the Senate Committee on Labor and Regulatory Reform**

**FROM: Eric Bott, State Director  
Americans for Prosperity-Wisconsin**

**DATE: April 24<sup>th</sup>, 2017**

**RE: Support Senate Bill 216, Prevailing Wage Repeal**

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On behalf of more than 130,000 Americans for Prosperity activists in Wisconsin, I would like to thank you Chairman Nass and members of the committee for holding a hearing on Senate Bill 216, legislation repealing Wisconsin's antiquated prevailing wage law.

Passage of SB 216 will protect limited taxpayer resources from waste; lowering construction costs to stretch those resources further. Given concerns regarding the solvency of Wisconsin's transportation fund and the ongoing debate over gasoline tax and registration fee increases, it is more critical now than ever that policy makers take advantage of opportunities to cut costs.

Perhaps more importantly, passage of SB 216 will level the playing field, ending discrimination against a majority of Wisconsin's construction industry workers who rarely or never receive an opportunity to work on a prevailing wage project. SB 216 will also improve fairness in government contracting, affording many small businesses an opportunity to fairly compete for government contracts for the first time.

Critics of Senate Bill 216 argue that mandating above market wages, and thus higher construction costs, don't actually increase costs. This argument is absurd on its face. When one increases labor costs, they necessarily increase project costs. For those denying basic math, a quick review of recent studies on the question of prevailing wage's cost impacts may help:

- The Wisconsin Taxpayers Alliance found wages on prevailing wage projects in Wisconsin to be as much as 45% over market and that taxpayers could have saved as much as \$300 million in 2014 alone had prevailing wage not been a factor.
- A study of prevailing wage's impact on New York metropolitan area projects found it increased costs by as much as 36%.
- A Michigan study found that prevailing wage laws increased wages 40-60% above market resulting in project cost increases of 10-15%
- A Cornell University Study looking at school construction in California found that prevailing wage laws increased construction costs by as much as 37%.

- The Ohio Legislative Service Commission found that a repeal of the prevailing wage on school construction resulted in \$488 million in savings, about 11% of construction costs, during the five years after the repeal took effect.
- Our own analysis found that Wisconsin taxpayers could have saved as much as \$890 million on school referenda projects between 1995 and 2015 if prevailing wages had not applied.
- The Wisconsin Institute for Law and Liberty found that Wisconsin taxpayers would have saved between \$163 and \$244 million between 2010 and 2015 on school construction projects if the prevailing wage had not been in effect.
- Following repeal of their prevailing wage law in 2016, West Virginia taxpayers saved at least \$22 million during the first two months after repeal according to a report from Anderson Economic group.

The evidence is clear and obvious. Repealing prevailing wage laws reduces construction costs directly by eliminating hyper inflated super wages and indirectly by injecting greater competition into bidding. We've witnessed the positive impact competitive bidding has on project cost in Wisconsin this year.

Earlier this month, Governor Walker announced more than \$93 million in let savings on highway projects. The primary driver for those savings was an uptick in competitive bidding. Passage of SB 216 will help encourage additional bidding into the future.

We've also witnessed the benefits at the local level. The Lakeland Times recently reported that bids for a new Minocqua fire station came in roughly 20% lower than expected. The article cited the repeal of the local prevailing wage as one of the factors driving lower than expected costs.

Critics of repeal also argue that prevailing wage guarantees quality. The data says otherwise. For instance, the Ohio Legislative Services Committee surveyed school district administrators after the repeal of the prevailing wage on school projects in that state. 91% of responding administrators reported no change in project quality. 6% reported an increase in work quality and only 3% reported a decrease.

Likewise, the Kentucky Legislative Research Commission found that while the prevailing wage increased project costs in Kentucky, no increase in project quality could be found. These results should come as no surprise. Increased competition leads to higher quality just as it leads to lower costs.

Moreover, claims that non-union workers or those not earning a prevailing wage fail to perform quality work are degrading to the vast majority of construction workers and businesses who employ them. According to the United States Bureau of Labor Statistics, 86.8% of the nation's private sector construction workforce is employed by a merit shop or non-union contractor. The percentage of construction workers in unions in Wisconsin is only slightly higher.

The vast majority of these workers will only rarely, if ever, work on a prevailing wage project. Do politicians defending prevailing wage laws realize that they are insulting the vast majority of their constituents in the construction trades when they argue that workers who don't receive a prevailing wage produce an inferior quality project?

Arguments regarding the supposed increased safety of unionized or prevailing wage projects are equally lacking in merit and demeaning to the vast majority of hardworking tradesmen in Wisconsin. In fact a study published in the Journal of Labor found that states without prevailing-wage law mandates actually had lower average rates of injury and death on job sites than states with mandates.

The facts are clear. Repealing the prevailing wage will lower costs without sacrificing quality or safety. This will allow the state to engage in more construction projects creating more jobs and opportunity. The extent of the job creation potential is open to debate but one study from NCPA predicts it will be substantial. They found that every \$1 increase in wages due to the national prevailing wage law results in 146,000 fewer jobs nationwide. It's time for Wisconsin to remove this barrier to opportunity and give more people an opportunity to find work in the trades.

Again, we wish to thank Senator Nass as well as the authors of this proposal Senator Leah Vukmir and Representative Rob Hutton. We respectfully request that you recommend passage of SB 216 at your earliest possible convenience.

For more information, please contact Eric Bott at [ebott@afphq.org](mailto:ebott@afphq.org).



April 24, 2017

Senators,

My name is Ken Rynes, I am a United States Marine Corps veteran of the Cold War an Army Reserve veteran of the War on Terrorism and a small business owner for 25 years. I also served as state commander of The American Legion in 2013-14 and now sit on the national executive committee.

I know many of you saw the press release back in February claiming the nearly 60,000 American Legion members in the state were against the action that you are discussing today. This is not so, in fact this was put on by the Coloma post 139 which is the newest post in the state with a total of 46 members and formed and made up by Operating Engineers union 139. It is a great and wonderful thing that this post was formed if they would stick to the aims and mission of The American Legion, not the agenda of a union. The legislation that you debate today is not significantly veteran related, as I hope you will see in my comments as a business owner. Please keep this fact in mind as you move forward today.

Now I would like to speak as a business owner. What you are doing today is controversial for sure. The problem is there is no way to predict the outcome without diving in. I would ask you look at some recent history. Act 10 was the most viciously fought battle in Wisconsin history. It was going to ruin everyone or so they said. Our own school district balanced its last budget on mostly health care premium savings. This was not publicized at all but rather a quiet message in the back pages of the newspaper. Act 10 created some economic distress at the time. The reality is just a few short years later school districts are having to pay more for teachers as a result of Act 10 more so than what they lost with its inception.

Repealing prevailing wage will not drive down wages at all but instead over time the natural action/ reaction of capitalism will happen and wages will not only rebound but competition will drive them to new heights. How? By the very reason you are trying to do this. Your thinking is we take out prevailing wage and we save money so we can do more projects. You are correct in this assumption, however as soon as you contract more projects we will need more workers. It will strain the existing work force and more will have to be hired. The competition with other industry will cause an increase in wages to fill the voids. Just ask any employer who in recent months has had to rethink their hiring process by offering more money and greater benefits to get people in the door. This is all happening now with government mandated wages and will only increase more by repealing this over reaching government regulation.

On another note we have people screaming for minimum wage increase and how terrible the prosperity gap in this country is. Act 10 and repealing prevailing wage will close the gap as wages will go up by capitalism not cronyism. Talk of minimum wage increases will cease. Here you have an opportunity to impact multiple issues with one act.

Thank you  
Ken Rynes veteran



CONCERNED  
VETERANS  
FOR AMERICA

**MEMORANDUM**

**FROM: Dan Caldwell, Policy Director, Concerned Veterans for America**

**TO: Interested Policymakers in Wisconsin**

**DATE: March 14, 2017**

**RE: Union Wage Laws Hurt Veterans**

In Wisconsin, Governor Scott Walker is proposing a repeal of the state's antiquated prevailing wage laws as part of his state budget plan. This is good news for anyone who enjoys a thriving state economy and dislikes burdensome and unnecessary government regulation. Prevailing wage laws, which were adapted in Wisconsin nearly 85 years ago, mandate that contractors are paid based on rates decided by unions. Instead of having the market determine how much these services are valued by the state, union bosses get to decide – and then taxpayers get stuck with the bill. This policy results in above-market costs for things citizens of the state pay for themselves, like roads and bridges.

In recent weeks, there has been a choreographed effort by union-backed groups who are misleading the public about the truth about the prevailing wage. This is a union-centric bill, so it's no surprise that there is backlash from the left. But using American veterans as a front to keep union wage laws in place is both disingenuous and disrespectful.

Here are the facts.

**MYTH #1: *Veterans benefit from prevailing wage laws.***

**THE FACTS:** There is no evidence that veterans as a whole benefit from prevailing wage laws. Instead, prevailing wage laws have been found to constrain job growth, which negatively impacts veterans of the current wars – whose unemployment rate is higher than the population at large and other groups of veterans.

**MYTH #2: *Veterans' groups support keeping the prevailing wage.***

**THE FACTS:** Only the Wisconsin Chapter of the American Legion and the progressive VoteVets have come out strongly in support of preserving prevailing wage within Wisconsin. The national American Legion, Veterans of Foreign Wars (VFW), AMVETS, Paralyzed Veterans of America (PVA), and Disabled American Veterans (DAV) along with every other major national veterans' group has not taken a position on the prevailing wage.

**MYTH #3: *Prevailing wage laws do not increase the total cost of construction.***

**THE FACTS:** The stated purpose of prevailing wage laws is to drive up labor costs. Driving up labor costs inherently increases the total cost of construction. Multiple studies confirm this commonsense conclusion including an award-winning study from the Wisconsin Taxpayers Alliance. It found that "on average, Wisconsin's prevailing wages and benefits are 45% higher than total compensation based on a federal BLS survey. In 2014, that could have cost state and local governments here as much as \$299.5 million."

**MYTH #4: *Prevailing wage laws help Wisconsin's economy.***

**THE FACTS:** Prevailing wage laws restrict competition to only a select few, mostly unionized

construction companies. This mandate can prevent other businesses, especially small businesses, from creating or maintaining jobs, expanding their operations or even staying in business. By constraining the growth of most Wisconsin construction companies and by forcing the misallocation of scarce resources to regulatory compliance and artificially high labor costs, prevailing wage laws harm Wisconsin's economy.

**MYTH #5:** *Prevailing wage laws grow the number of construction jobs.*

**THE FACTS:** By artificially inflating the cost of construction, prevailing wage laws by necessity mean spending more taxpayer dollars on fewer construction projects. Fewer projects means fewer workers. Repealing the prevailing wage will result in more projects, more work, and more jobs.

Here's the bottom line: union wage laws hurt veterans – disproportionately. For veterans, the transition from military to civilian life is often difficult, and finding gainful employment is a critical first step. But union wage laws hurt entry-level construction jobs — which are often the jobs that veterans take immediately after returning from their service. And if a veteran tried to be entrepreneurial and start his or her own construction company, they'd quickly find themselves at a disadvantage against the union favorites. This policy is a job-killer for veterans who need good opportunity once they hang up the uniform.

Plus, just like all Wisconsinites, veterans also depend on a variety of state services, including education, police and well-functioning infrastructure. The prevailing wage means that there's less funding available for teachers or law enforcement, and an already-strained transportation budget is even less effective. That's because the prevailing wage often leads to over-payment. Some estimates show that the prevailing wages are 23 percent higher than the market rate to build roads and other infrastructure.

The labor organizations, aligned think tanks, and political groups who are using veterans to advance their union agenda are disrespecting the military community. It's one thing to oppose repealing union wage laws based on the merits of the policy – and quite another to use veterans as a front. American veterans, who made the ultimate sacrifice to defend our freedoms, deserve better than to be treated as political puppets for big labor. These heroes should be regarded with the utmost respect and eliciting their support should be used with measure and responsibility. These groups' actions are anything but.



WISCONSIN

**Statement Before the  
Senate Committee on Labor and Regulatory Reform**

**By**

**Bill G. Smith  
State Director  
National Federation of Independent Business  
Wisconsin Chapter**

**Monday, April 24, 2017  
Senate Bill 216**

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Mr. Chairman, members of the Committee, thank you for the opportunity to make some comments on behalf of our state's small business community on an issue of great importance to small and independent business owners throughout Wisconsin.

As taxpayers, small business owners want their government to be efficient and prudent with their tax dollars. Where there is waste and fraud, eliminate it, where there is excessive, inefficient spending, reduce it, where there are policies that needlessly increase the cost of government, repeal them.

**These are the view of small business, Mr. Chairman, where 84 percent of our members responding to a survey study support repealing Wisconsin's prevailing wage law.**

At a time when the legislature needs to maximize the value of every dollar they collect, repealing Wisconsin's archaic prevailing wage law will not only save tax dollars, but also end a practice that shuts out small and minority contractors from participating in the bidding process for local projects.

A study released by the Wisconsin Taxpayers Alliance indicates taxpayers often pay as much as 45 percent above the market average as a direct result of prevailing wage laws.

In Michigan, studies show the prevailing wage law caused contractors to pay wages that averaged 40-60% higher than those determined by the market, increasing construction costs by 10-15 percent – costing taxpayers millions of dollars in higher construction costs.

In California, prevailing wage requirements needlessly increased construction costs by 9-37%, and in New York, prevailing wage increased the total cost of construction by 36 percent in the metropolitan areas of the state, again costing taxpayers millions of dollars.

In Wisconsin, the estimated prevailing wage costs for construction of the Wisconsin Maritime Center of Excellence in Marinette County are estimated at \$292,719.00 for a \$5-6 million project, funded primarily by Marinette County.

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This is bad public policy for our taxpayers and it is bad public policy for Wisconsin's small business contractors who struggle for their fair share of local construction projects.

While we know some will argue prevailing wage serves to keep workplaces safe, wages competitive, and competition fair, those of us who work for small business and live in the real world, know those claims to be false.

In fact, the state's prevailing wage law acts as a super minimum wage where government sets wages often much higher than local wages determined by fair competition in the local free market.

By allowing the free market to operate as we do with every other commerce activity in the marketplace, without interference from an archaic prevailing wage law, taxpayers will save hundreds of millions of dollars, while at the same time small business owners and their employees will be provided their rightful opportunity to compete for public construction projects that are financed by their hard earned tax dollars.

Finally, Mr. Chairman, everyone in this building supports the buy local movement because we all agree when we buy local, we support small businesses who provide jobs and grow communities.

Yet the complexities of the prevailing wage law and the realities of high artificial wage rates discourages and completely shuts out small and minority businesses from even submitting bids for local taxpayer financed projects. (Approximately 86% of construction-related firms have fewer than 10 employees.)

Our state's small business community believe failure to repeal this law means taxpayers will continue to pay high costs, and small business owners will continue to be unfairly denied their rightful opportunity to participate in publicly funded projects, and provide jobs for hardworking taxpayers.

For these reasons, **I respectfully urge members of the committee to recommend Senate Bill 216 for passage, to support fairness in the marketplace, and to support your local small business community and those who work for small business by repealing prevailing wage in Wisconsin.**

Thank you.