

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-0698/3	Introduction Number AB-0032
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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
 Increase Existing Appropriations
 Increase Existing Revenues
 Decrease Existing Appropriations
 Decrease Existing Revenues
 Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget
 Yes No
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input checked="" type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 3/6/2015

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

This estimate is limited to the bill's impact on local government construction expenditures.

Current law requires contractors to pay workers on certain local government construction projects the prevailing local wage as determined by the Department of Workforce Development (DWD). The bill repeals this requirement.

Public works projects under a certain dollar threshold are exempt from the prevailing wage law. Estimated project costs for all DWD prevailing wage determinations totaled \$2.749 billion in 2013. Based on information from the US Census Bureau, 2012 construction expenditures by Wisconsin local government (counties, municipalities, schools, and special districts) made up 48% of state and local government construction in Wisconsin. Assuming the same proportion applies to the project costs reported by DWD, local government construction expenditures subject to prevailing wage totaled \$1.32 billion.

According to the US Census Bureau's Economic Census, construction wages make up 18.9% of the net value of construction in Wisconsin, suggesting local government construction expenditures included \$249.4 million in worker wages. Based on a sample of construction occupations across the state, US Bureau of Labor Statistics occupation wage estimates were approximately 85.9% of the DWD prevailing wage determinations (weighted average including fringe benefits). This disparity provides the potential for government construction wages to decrease by 14.1%.

Applying the 14.1% decrease in wages to local government construction expenditures yields a decrease in wages of \$35.1 million (14.1% x \$249.4 million). The amount of potential savings to local governments depends on contractors reducing wages and passing reducing contracts by the amount of savings. Assuming that contractors pass 50% of the wage reduction along to local governments as reduced construction bids, local government construction expenditures would decrease by \$18 million on an annual basis.

Long-Range Fiscal Implications