

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-1561/2	Introduction Number SB-049
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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
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes No
- Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
 - 1. Increase Costs Permissive Mandatory
 - 2. Decrease Costs Permissive Mandatory
 - 3. Increase Revenue Permissive Mandatory
 - 4. Decrease Revenue Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns Village Cities
 - Counties Others
 - School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR
 FED
 PRO
 PRS
 SEG
 SEGS

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Fiscal Estimate Narratives

DOR 3/6/2015

LRB Number	15-1561/2	Introduction Number	SB-049	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