Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2023 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **23-4299/1**	Introduction Number **SB-0540**

Description
prevailing wage, granting rule-making authority, and providing a penalty

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
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives

DOT 1/4/2024

LRB Number **23-4299/1**	Introduction Number **SB-0540**	Estimate Type **Original**
Description prevailing wage, granting rule-making authority, and providing a penalty		

Assumptions Used in Arriving at Fiscal Estimate

This bill would reinstate the state prevailing wage requirement for public construction projects, which includes highway projects. It is difficult to determine if there would be additional costs on highway project budgets, and if there are, how much, because of these factors:
WisDOT requires that bidders provide per-unit prices for listed bid items and does not ask for a breakdown on the unit price (labor, materials, equipment, etc.). The unit price bid method allows WisDOT to compare prices between bidders but allows for confidentiality as to how contractors arrived at the bid price. If re-instating the state highway prevailing wage impacts labor costs, it is not clear how or if that would be passed on in bid prices.
The national Davis Bacon Act requires that a state or local highway project that uses any federal funds must pay the federal prevailing wage. In FY24, 10.8% of WisDOT highway construction spending (lets plus delivery) is for projects that have no federal funding (i.e. are 100% state or bond-funded). Without a state prevailing wage, projects that have federal funding (approximately 89% of let contract costs plus delivery) would still pay Davis Bacon wages.

SFY2024 State Highway Program Construction Lets + Delivery (not local program)
Total = $1.279 Billion (all funds)
Project Total of non-federal funding (Projects which are 100% SEG funded) = $138.6 M (10.8%)
Total number of projects = 330
Projects with no federal funding (Projects which are 100% SEG funded) = 62 (18.8%)

In highway construction in the upper Midwest, much of the labor is represented by unions so union wage scales moderate the impact of repeal or reinstatement of the prevailing wage.
When prevailing wage elimination was under consideration in 2017, the department attempted to estimate potential labor cost impacts. A department fiscal note assumed that labor represents about 20% of highway let plus delivery costs. It also assumed that elimination of prevailing wage could reduce average wages by 5%. If restoring prevailing wage does the opposite, then the following assumptions could be made based on FY24 data:
Average state-only funded lets plus delivery = $138.6 M/year
20% labor = $27.7 M/year
5% increase with restoration of prevailing wage = $1.39 M/year

Long-Range Fiscal Implications

The long-range fiscal impacts are indeterminate.