



LEAH VUKMIR

STATE SENATOR

Senate Committee on Labor and Government Reform Public Hearing, May 5, 2015 Senate Bill 49

Chairman Nass and committee members, thank you for taking the time to meet today. I am pleased to join Representative Hutton to give voice to our constituents and taxpayers across this state. The issue of prevailing wage is crucial to the fiscal health of both state and local government. The potential savings that would be achieved by repealing Wisconsin's Prevailing Wage Laws are staggering. A study by the Wisconsin Taxpayers Alliance estimates that state and local governments could have saved as much as \$299 million in 2014.

The committee has a long day on tap, so I will be brief and leave the details of specific projects and unnecessary burdens imposed by prevailing wage to the local elected officials that have travelled here from all across Wisconsin. I think the best perspective I can offer is to speak about how my time on the Joint Finance Committee has fundamentally changed my understanding of how budgets work.

I am in the middle of my first term as a member of the Joint Finance Committee and the most striking part of the state budget process is the intense competition for funding. Until you hear from the whole spectrum of deserving groups competing for state resources, it is very difficult to appreciate that each dollar to fund a program comes at the cost of some other program or project.

After speaking with my fellow legislators and hearing the stories of local elected officials, they are clearly facing these same fiscal challenges and the difficult choices that accompany them. This is why we must repeal prevailing wage in Wisconsin. How in good conscious can we ask local elected officials to do more with less while simultaneously requiring them to pay outrageously inflated construction costs?

Without a doubt, prevailing wage laws are clearly having a negative impact on local units of government and the taxpayers who support them. When you consider the possible savings from eliminating prevailing wage, it is important to remember that those savings could be redeployed in a multitude of ways, ranging from additional projects to tax relief depending on the local circumstances.

Put another way, prevailing wage is an enormously unfunded mandate from state government. Through the prevailing wage laws we are dramatically increasing the cost of government construction projects all across the state. What possible justification is there for artificially increasing the cost of a project by mandating higher labor costs?

Supporters of the current prevailing wage laws will contend that they are necessary to ensure a well trained work force. This claim is difficult to accept. A multitude of other professions are

STATE CAPITOL

P.O. Box 7882 • MADISON, WISCONSIN 53707-7882
(608) 266-2512 • FAX: (608) 267-0367

Supporters of the current prevailing wage laws will contend that they are necessary to ensure a well trained work force. This claim is difficult to accept. A multitude of other professions are able to support continuing education and training without state government mandating wages for the professionals in their respective fields. As too often is the case, the fight over prevailing wage is simply a fight over resources. The supporters of our current law believe they are entitled to their artificially inflated salaries and profits; this is a view that frankly is not shared by my constituents.

In fact, if you watch carefully today, I anticipate that the opponents of this bill will closely resemble the definition of special interests. How else could you describe big business and big labor on an issue where they have so clearly elevated their narrow personal financial interests over what is best for our state and local communities?

When you consider the financial impact of Wisconsin's prevailing wage laws, it is difficult to rationalize how preserving these antiquated laws could possibly be a priority in the context of the local and state budget. That reason alone ought to be enough to ensure that this legislature moves to repeal Wisconsin's Prevailing Wage Laws.



Rob Hutton

STATE REPRESENTATIVE • 13TH ASSEMBLY DISTRICT

May 5, 2015

To: The Senate Committee on Labor and Government Reform

From: Rep. Rob Hutton

Re: Senate Bill 49

Testimony of Rep. Rob Hutton in Support of Senate Bill 49

Mr. Chairman and members of the committee, I thank you for giving Senate Bill 49 the opportunity for a public hearing. Over the past several months there has 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 are 45% over the market. These artificially inflated wages increase the cost of government projects by 10-15%, costing taxpayers hundreds of millions of dollars annually.

Prevailing Wage is a significant burden to local municipalities and school districts. Instead of having additional resources to invest in education and community services, many schools are forced to allocate 10-20% of their budgets to account for inflated capital projects. This is 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. Added to that burden is the fact that rural communities, who are desperately in need of those middle-class wage jobs are most often unable to compete.

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.

With this legislation, Wisconsin will join 18 other states free of Prevailing Wage laws. Not surprisingly, states such as Illinois and Michigan are also considering repeals of their own. Just weeks ago, Indiana's Legislature voted to send their Governor a bill to repeal their state's prevailing wage law.

Regardless of our party affiliation, we can all agree we must maintain a marketplace that insures equal opportunity, 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 to insure Wisconsin’s tax dollars stretch further. Repealing Prevailing Wage will produce greater transparency, eliminate unintended discrimination, and ultimately save our state hundreds of millions of dollars each year. These expenses can be better allocated towards investments in education, sustaining critical community services, needed investments in our state’s infrastructure, and needed tax relief.

This legislation will help set the spending trajectory for Wisconsin for the next 50 to 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.

Testimony

Committee on Labor and Government Reform

Kraig Sadownikow

Mayor, City of West Bend

May 5, 2015

Committee on Labor and Government Reform
Public Hearing
May 5, 2015

Chairman Nass and members of the Committee on Labor and Government Reform:

Thank you for the opportunity to offer public input on this important topic aimed at continuing the fiscally-responsible agenda of recent years.

My name is Kraig Sadownikow. I have been Mayor of the city of West Bend the past four years where we have effectively utilized new state policies to balance our budgets and reduce cost while maintain the high level of services our constituents demand. In fact, the real cost of operating our city of over 30,000 citizens is 6.4 percent less today than it was in 2011. Thank you for offering us the tools to accomplish these successes.

Abolishing the state-mandated prevailing wage law is yet another way to give power back to the local level, allowing municipalities, such as West Bend, greater ability to increase services without increasing taxes.

You will continue to hear valid testimony regarding the millions of dollars in savings that can be realized statewide through the elimination of prevailing wage requirements on public works projects that utilize public funds.

I would like to focus on a lesser known but equally egregious component of the law that requires prevailing wages to be paid on private projects, using private monies, that ultimately will be donated to a municipality or taxing entity.

In West Bend we are very proud of our parks and work hard to afford high quality maintenance of the entire system. The jewel of our city, Regner Park, is named for one of my mayoral predecessors. As budgets got tighter, maintenance began to slip. In 2010 a local group of park supporters (the Regner Rejuvenation Committee) took it upon themselves to make a difference. Over the next three years they privately raised approximately \$600,000 to totally fund a new stage and pavilion along with renovating concession stands and a band shelter.

This group literally went door-to-door asking for donations from individuals, service clubs and local corporations. The projects were built by local tradesmen, many of whom grew up enjoying Regner Park themselves.

The Park & Recreation Committee along with West Bend's city council approved the projects and agreed to take ownership of the completed work once constructed. Building permits and review fees were paid just like any other private project. To our disappointment, however, prevailing wages were required to be paid.

Fortunately, the projects were built and have been a great success. The dumbfounding part is while 100 percent of the funds were privately raised they only purchased 75 percent of the goods and services they should have. More privately funded improvements could have been considered and should have been accomplished.

Examples such as this are found all over the state of Wisconsin and range from high school football fields to performing arts centers and from park shelters to hiking trails.

As has been done the past few years, I ask you to focus your attention on protecting the taxpayers and generous donors of Wisconsin. Allow the laws of supply and demand to dictate the cost of construction, not the laws of prevailing wage.

Thank you again for your time.

Sincerely,

A handwritten signature in black ink, appearing to read "K.K. SA". The signature is stylized and written in a cursive-like font.

Kraig K. Sadownikow
Mayor
City of West Bend, WI



Senate Committee on Labor and Government Reform
Senator Nass (Chair)
Senate Bill 49

Wisconsin Chapter

May 5, 2015

Associated Builders and Contractors of Wisconsin, Inc. supports Senate Bill 49, repealing Wisconsin's prevailing wage laws. We believe Wisconsin's system of determining prevailing wage is fundamentally flawed, is anti-competitive and results in higher construction costs for taxpayers.

Opponents of repealing prevailing wage make several claims which we believe are unfounded.

1) Prevailing Wage Laws Assure Quality

After suspending its prevailing wage law with regard to school construction, Ohio sought to find out whether the suspension had led to a decrease in quality. A study by the Ohio Legislative Service Commission found that 91 percent of the school district officials surveyed stated that there was no change in the quality of work done without prevailing wage and of the remaining 9 percent - only 3 percent said that quality had fallen while 6 percent said it had improved.

2) Prevailing Wage Ensures Safe Projects

There is absolutely no difference – in construction standards, or health and workplace safety requirements, or enforcement – between prevailing wage and non-prevailing wage projects. Prevailing wage projects and non-prevailing wage projects are subject to the same safety regulations and contractors have the same incentives to minimize their worker's compensation insurance rates by maintaining a safe workplace.

If construction safety were a matter of concern, it would make far more sense to address this directly rather than through the indirect and ineffective method of imposing artificial wage rates. For example, contractors with particularly bad safety records could be excluded from bidding on public works projects.



Senate Committee on Labor and Government Reform
Senator Nass (Chair)
Senate Bill 49

Wisconsin Chapter

May 5, 2015

3) Prevailing Wage Protect Local Wage Standards

Late last year ABC of Wisconsin asked the Wisconsin Taxpayers Alliance to examine the following question: Do prevailing wages as determined by the state Department of Workforce Development accurately reflect wages and benefits in Wisconsin counties?

That study concluded that Wisconsin's method of setting prevailing wages often results in wages that do not reflect local markets. Wisconsin's unique formula produces prevailing wage rates that are often higher than market rates (especially in rural counties), rates that fluctuate widely and creates wage anomalies.

- **Not Market Rates** - Local data from statistically-valid federal wage surveys show that prevailing wages in Wisconsin are, on average, 23% higher (45% when you include benefits) than local averages.
- **Fluctuate Widely** - For example, prevailing wages and benefits for a carpenter in Adams County fluctuated between \$12 per hour and \$49 per hour during 2011-15.
- **Creates Wage Anomalies** - In 2014, the prevailing wage and benefit package for an electrician in Lafayette County was \$21.00 per hour; for an unskilled clean-up worker, it was \$37.97.

If prevailing wages in Wisconsin reflected market rates one would expect county prevailing wages would, to some extent, mirror patterns in other construction wages. Yet prevailing wages often vary little from county to county, and when they do vary, the variations do not reflect industry earnings data. For example, in 2014, prevailing wages for carpenters were identical in 57 of the state's 72 counties. Prevailing wages for roofers varied, but the pattern appears "random" with no tie to location.



**Senate Committee on Labor and Government Reform
Senator Nass (Chair)
Senate Bill 49**

Wisconsin Chapter

May 5, 2015

The fact that DWD's prevailing wages do not represent local labor markets has two implications. First, in some counties, local governments are paying more for new buildings than if prevailing wages accurately reflected competitive market rates. Second, prevailing wages are less affordable in rural income-poor counties than in wealthier urban ones.

I understand why some contractors favor prevailing wage laws. People prefer to minimize or eliminate competition in markets where they sell, while enjoying the benefits of competition in markets where they buy. The reality is that prevailing wage laws concentrate benefits to those few workers who are employed on prevailing wages jobs while dispersing the costs to taxpayers and should be repealed.



SCHOOL DISTRICT OF FLORENCE COUNTY
WE POSITIVELY AFFECT THE LIVES OF CHILDREN



May 5, 2015

School Board

Jim Churchill, President
 Jim Gehlhoff, Vice-President
 Don Dumke, Clerk
 Ron Yadro, Treasurer
 Tom Jonet, Member
 Shawn McLain, Member
 Linda Opsahl, Member

Dear Chairman Nass and Senate Committee Members:

Thank you for this opportunity to speak before you today. My name is Ben Niehaus, and I serve as superintendent for both the School District of Florence County and the Goodman-Armstrong Creek School District.

As we are all well aware, our schools are funded by the taxpayer, and nowhere is this more evident than in our many rural schools in northern Wisconsin. The School District of Florence County, as just one example, receives nearly 80% of its funding from property taxes. Additionally we just passed our third consecutive operating referendum this past year.

We are in the midst of two separate capital projects in Florence County Schools. We are several months into our plan of action to provide options for future building renovations at our high school facility; much of this is attributable to deferred maintenance in recent years due to the district's limited financial capacity.

Just last week, I was on the roof of one our outlying facilities. During the walk-around with our building and grounds administrator he shared that one interested company brought up prevailing wage. This company asked if we are certain that others bidding on this project are figuring for prevailing wage rates and the detail of the associated filing and record-keeping. I was taken back in hearing this, as I immediately questioned if competitive bidding

Post Office Box 440, Florence, Wisconsin 54121

District Administrator

Ben Niehaus
 715-528-1189
 Fax 715-528-5338
niehausb@florence.k12.wi.us

Director of Pupil Services

Terry Hanson
 715-528-1172
 Fax 715-528-5910
thanson@cesa8.k12.wi.us

Principal – High School

Brandon Jerue
 715-528-1150
 Fax 715-528-5330
jerueb@florence.k12.wi.us

Principal - Elementary

Neil Hall
 715-528-1142
 Fax 715-528-5910
halln@florence.k12.wi.us

Financial Manager

Edie Teichert
 715-528-1176
 Fax 715-528-5338
edie@florence.k12.wi.us



SCHOOL DISTRICT OF FLORENCE COUNTY
WE POSITIVELY AFFECT THE LIVES OF CHILDREN



School Board

Jim Churchill, President
 Jim Gehlhoff, Vice-President
 Don Dumke, Clerk
 Ron Yadro, Treasurer
 Tom Jonet, Member
 Shawn McLain, Member
 Linda Opsahl, Member

was being displaced by prevailing wage. Again, our schools in northern Wisconsin are primarily funded by the local taxpayer, both within the school funding formula and operating referendums. Additionally, our taxpayer's wages are significantly lower than that of the state's median income. Why should they have to foot the burden of meeting a prevailing wage that the competitive market could otherwise provide for? Prevailing wage was well intended, but the very matter it was intended to prevent may now be doing the same once again...limiting the ability and complicating the process for local contractors to competitively bid on projects while unnecessarily placing further burden on local taxpayers.

Local boards of education should have control in making a determination as to what company, at what project cost, will satisfy their capital project's needs. Due to prevailing wage, school boards may have no choice but to forego a much needed option in building upgrades that could otherwise have long-term benefits for not only our facilities, but educational opportunities for our students. There is a limit to what our local taxpayers can and will support, and unfortunately for schools like Florence County and others in northern Wisconsin, the taxpayer bears this burden. Local boards should have the flexibility to best utilize taxpayer dollars for the maximum return within the scope of the project and not have to spend more than is necessary to satisfy a prevailing wage.

Sincerely,

Ben Niehaus

Post Office Box 440, Florence, Wisconsin 54121

District Administrator

Ben Niehaus
 715-528-1189
 Fax 715-528-5338
niehausb@florence.k12.wi.us

Director of Pupil Services

Terry Hanson
 715-528-1172
 Fax 715-528-5910
thanson@cesa8.k12.wi.us

Principal – High School

Brandon Jerue
 715-528-1150
 Fax 715-528-5330
jerueb@florence.k12.wi.us

Principal - Elementary

Neil Hall
 715-528-1142
 Fax 715-528-5910
halln@florence.k12.wi.us

Financial Manager

Edie Teichert
 715-528-1176
 Fax 715-528-5338
edie@florence.k12.wi.us



Wisconsin

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

By

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

**Tuesday, May 5, 2015
Senate Bill 49**

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.

Statement Before the Senate Committee on Labor and Government Reform

Tuesday, May 5, 2015

Page Two

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.

The complexities of the current prevailing wage law, and the realities of high artificial wage rates discourages and removes small and minority businesses from participating in local taxpayer financed 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.)

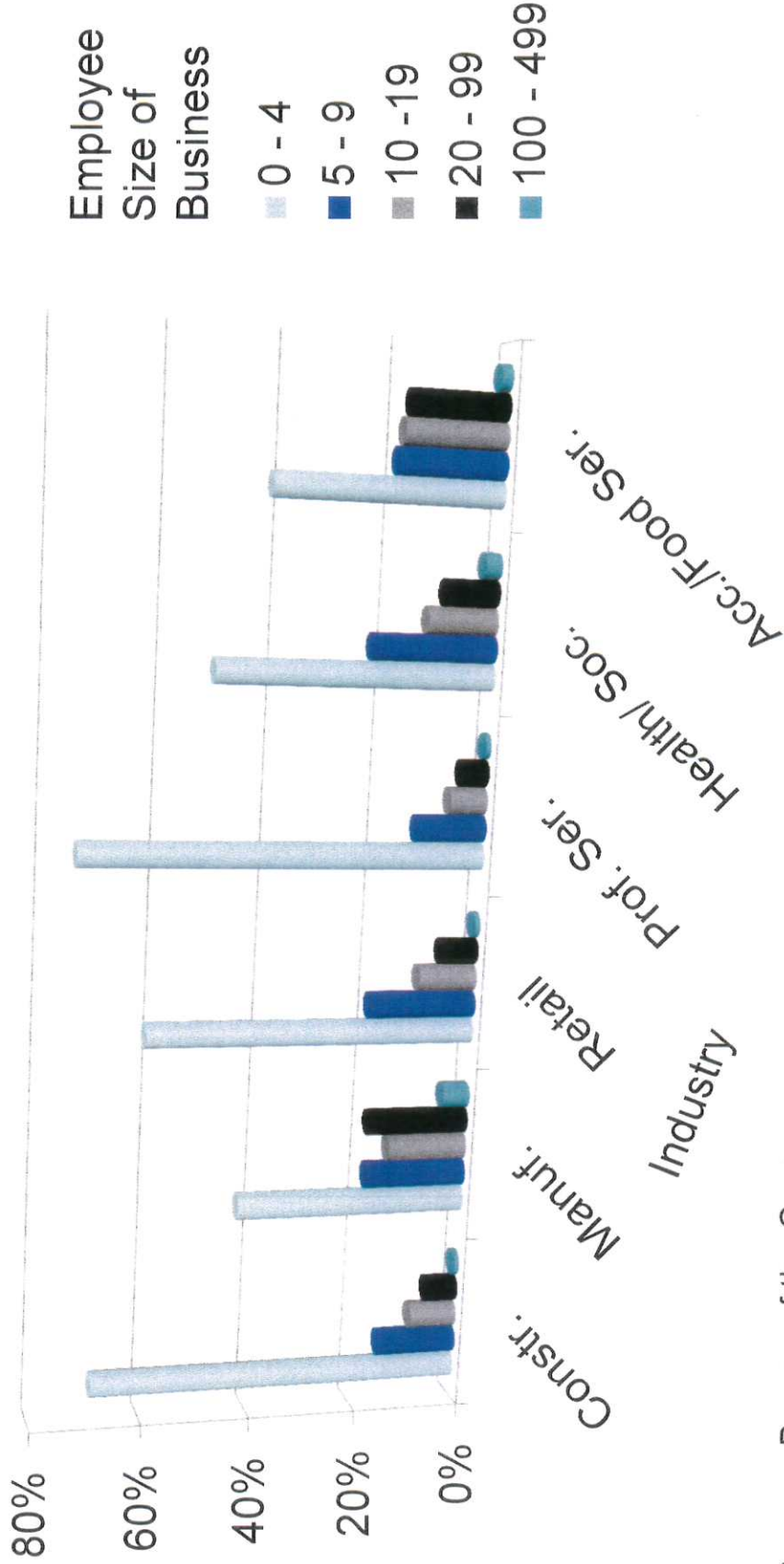
While some may believe minor reforms of this archaic law and it's infringement on free enterprise is all that is necessary to "fix" the law, nothing could be further from the truth.

Our state's small business community believe anything short of repeal means the 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.

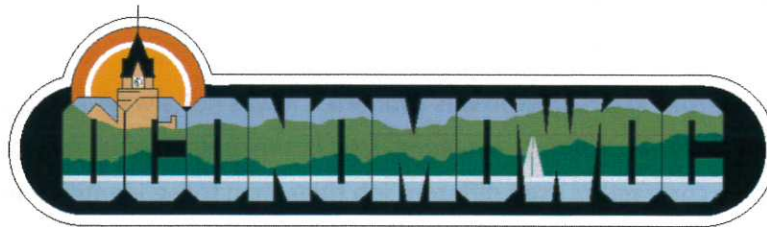
For these reasons, **I respectfully urge members of the committee to recommend Senate Bill 49 for passage, to support fairness in the marketplace, and to support your local small business community and those who work for small business by repealing prevailing wage in Wisconsin.**

Thank you.

Distribution of Employed Size of Business by Selected Industry



Source: Bureau of the Census



UTILITIES

Reliability comes **NATURALLY** here

TO: Members of the Senate Committee on Labor and Government Reform
FROM: Dennis Bednarski, General Manager
DATE: May 5, 2015
RE: Oconomowoc Utilities Testimony on Senate Bill 49

Chairman Nass, thank you for the opportunity to appear before the committee this morning to offer Oconomowoc Utilities' testimony on Senate Bill 49, relating to elimination of the requirement that certain workers on public works projects be paid the prevailing wage. My name is Dennis Bednarski, and I am the General Manager of Oconomowoc Utilities. Oconomowoc Utilities is a municipally-owned electric and water utility. We have been in business since 1900 and we serve 5,887 Water customers and 9,278 Electric customers in the City of Oconomowoc and surrounding townships.

Maintaining reliable utility infrastructure is an ongoing challenge for Oconomowoc Utilities. A recent report from the Wisconsin Taxpayers Alliance (WISTAX) shows that Wisconsin's prevailing wage law results in substantially higher costs to municipal utility ratepayers. As the study highlighted, Wisconsin's current formula for determining wages is flawed and results in overall compensation packages that are 44 percent higher than Bureau of Labor Statistics. Furthermore, due to existing project thresholds for public works projects, nearly every project Oconomowoc Utilities cannot complete in-house qualifies for prevailing wage due to the relatively low threshold of \$100,000 for multi-trade projects. A \$100,000 threshold amounts to roughly one-half block of water distribution or wastewater collection infrastructure and a very small section of our electric distribution system. Additionally, the threshold puts us at a competitive disadvantage with surrounding investor-owned electric utilities who are not subject to prevailing wage law – which lowers their infrastructure replacement costs on comparable projects.

Requiring prevailing wage on utility projects leads to increased costs for ratepayers, taxpayers and adds administrative costs to the management of the project. For example, our new Community Center project was a prevailing wage project and presented a number of administrative challenges for our city. Those challenges included spending significant city and county time to track down and verify gaps in the accuracy of payroll documents that were submitted by the project manager. The subcontractors did not always turn in the payroll in a timely fashion which lead to our project manager spending additional time

and dollars retrieving payroll. When payroll was submitted it was not always complete or the type of work was not classified in the appropriate category listed in the prevailing wage requirements. The challenge was that some contractors used different job titles than those identified in the prevailing wage requirements, and would inaccurately classify a wage category. Additionally, this project had a variety of subcontractors who would finish their work at different times during the construction schedule. At the conclusion of the project the certified payrolls were not up to standard and had significant time gaps that had to be tracked down and documented. As a result, the city and the county spent significant amounts of time and money to track down the missing pieces and verify that they were accurate

Under existing project thresholds any multi-trade project above \$100,000 must be designated as a prevailing wage project. However if a project involves any state grants, no matter what the project cost, it is designated as a prevailing wage project. The purpose of these grants is to help the community lower the cost of construction projects but it comes with a high administrative burden cost and seems counterintuitive that we are ensuring a higher wage to only add on the additional tax burden and rate payer burden.

As an example, we had a pavilion project that had no local tax dollar involvement that had to be bid out for prevailing wage simply because of the grant money received. The City of Oconomowoc received \$100,000 from a Stewardship Development Grant and Recreational Trails Grant which are both managed by the DNR Stewardship Program. Another example included construction of a washroom pavilion project which would have cost under \$100,000 but because of a CDBG grant of \$50,000 it had to be bid out for prevailing wage. The end result cost us additional dollars because of the type of work that needed to be done and the additional dollars to complete the task to certify payroll.

Eliminating prevailing wage requirements from local utility projects will save Wisconsin rate/tax payer dollars, cut burdensome red-tape, and provide utilities with more resources to spend on replacement of critical aging infrastructure. I appreciate the opportunity to appear before you today and I would be happy to answer any questions.

Thank you,

Dennis Bednarski
General Manager
Oconomowoc Utilities

05/05/2015

Prevailing Wage Hearing

Thank you for the opportunity to address the repeal of Prevailing Wage on behalf of municipal and county taxpayers. It is important understand how Prevailing Wage affects all of us. Artificially inflating wages when the taxpayer is the one writing the check impacts the most regressive tax we pay – Property Tax. The WI State Income Tax is set up with a progressive component. The less you earn, the lower percentage you pay. WI State Sales Tax is selectively applied to have less of an effect on the poor in that not all items are subject to the tax. However, Property Taxes are paid by homeowners, and indirectly, by renters, whose landlords pass it on through the rent paid. It is the most regressive of the taxes that make up the WI tax burden and therefore should be a tax that both sides of the isle are interested in reducing when possible.

Here is a real-world example of how Prevailing Wage hits a city, village or town budget: The City of Hartford is building a new aquatics center which passed by referendum with a vote of 81%/19%, replacing a failing 50 meter pool. With the additional water features and complete replacement of the existing structures, the estimated cost is approximately \$8.6M.

The engineering firm that the city is working with is Burbach Aquatics, (www.burbachaquatics.com). I've discussed how Prevailing Wage will affect our cost with Dave Burbach, their president. Dave works with union contractors on a regular basis and has the highest respect for the professionalism they represent. He stated that he is neutral on this and "has no dog in the fight". However, the cost of administering the Prevailing Wage process that falls onto the contractors and subcontractors, which adds cost to projects he works on, are passed on to taxpayers. He estimates that Prevailing Wage will make up about \$400K of the cost of our project.

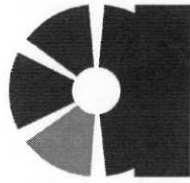
Hartford has about 14,300 souls. To put \$400K into perspective, the city could replace all six of its squad cars, plus the police SUV and detective vehicles, and still have money left over.

If the practice of Prevailing Wage were extended to other professions, teachers would be paid more when instructing the children of government workers. Postal workers would be paid more when sorting and delivering government mail and parcels. This seems patently absurd. The same logic applies to Prevailing Wage.

I would like to personally thank Representatives Mark Born and Jesse Kremer and Senator Duey Stroebel for co-sponsoring the bill repealing Prevailing Wage. Hartford appreciates their support. Senator Scott Fitzgerald also represents a portion of Hartford and is my State Senator. Senator Fitzgerald stated during an interview with Vicki McKenna on January 29th that he supported the repeal of Prevailing Wage. I ask Senator Fitzgerald to please follow through on that statement and ask him to encourage all Senators to vote for repeal of this unnecessary law.

A complete repeal of Prevailing Wage makes the most sense. However, that is not always the measuring stick used when dealing with WI law. Therefore I'm offering a compromise that will keep the roadbuilders happy and still accomplish much of the relief that school districts, municipalities, and counties are looking for. Change the minimum dollar amount where Prevailing Wage is applied from \$237K to \$10M, with an automatic \$1M increase in the minimum threshold for each year the law is in place. This will allow local businesses a better chance to compete on local projects while reducing the property tax burden for all Wisconsin citizens.

Tim Michalak
Common Council President – City of Hartford, WI
Washington County Supervisor – District 21
459 Abbott Ave.
Hartford, WI 53027
(262) 670-1119 home
(414) 208-9810 mobile
Tim.Michalak@att.net



THE West Bend School District

DESTINATION

academics • arts • athletics

May 4, 2015

Superintendent
(262) 335-5435

Senator Duey Stroebel
Senate District 20

Human Resources
(262) 335-5402

Room 18 South, State Capitol
Madison WI 53708

**Curriculum and
Instruction**
(262) 335-5408

Dear Senator Stroebel:

Pupil Service
(262) 335-5425

In the fall of 2014, the West Bend School District completed a \$27,000,000 building project after the passage of a building referendum. The School Board, using a combination of district funds and referendum approved debt, transformed two schools and the District with this investment.

Business Office
(262) 335-5428

**Technology
Services**
(262) 335-5630

Per your request, I've reviewed the expenditures and compiled our estimated costs for union labor on the project. Both union and non-union contractors were used on the project. The total cost of union labor on the project was: \$13,259,678. These totals were provided to me by our construction management firm.

Transportation
(262) 335-5438

Using the formula that prevailing wage increases project costs between five and nine percent, the West Bend School District could have potentially reduced the project costs and the impact to taxpayers by an estimated range of \$662,983 - \$1,193,371.

**Facilities and
Operations**
(262) 335-6188

Public Information
(262) 335-5459

The West Bend School District has an annual maintenance and project budget of nearly \$1,400,000. Each year we deploy these dollars to cover planned maintenance, as identified in our 25-year facility plan. The reduction of labor costs and mandates would allow the District to leverage our annual budget for a greater impact on our facilities.

The West Bend School District takes great pride in being stewards of the taxpayer's investment in public education. Any further ways in which you can provide us efficiencies so we can get a higher return on taxpayer dollars, will be greatly appreciated.

Sincerely,


Ted Neitzke
Superintendent

West Bend School District. 735 South Main Street. West Bend, WI 53095

www.west-bend.k12.wi.us



May 5, 2015

Senator Stephen Nass
Chairman Senate Committee on Labor and Government Reform
P.O. Box 7882
Madison, WI 53707-7882

RE: Senate Bill 49
Repeal of Prevailing Wage Requirements

Dear Chairman Nass, and Senators Wanggaard, Marklein, Wirch and C. Larson;

I am writing to express my personal views regarding Senate Bill 49 as an administrative professional having been charged with running county government operations in Ozaukee County since January 2000. Currently I am President of Wisconsin County Executives and Administrators' Association (WCEA) but my testimony is mine alone. These comments are not of a partisan perspective, but rather of an operational concern to correct inefficiencies and remove non-value added obstacles or constraints.

Since accepting the Administrator position in January 2000, our organization has undergone a dramatic transformation. With strong Board leadership we have flattened the organization chart, eliminating layers of management, consolidating committees and departments, empowering our employees, rewarding high performers, remaining laser focused on delivering cost effective public service. In short, Ozaukee County has dutifully "looked in the mirror," changing our structure, policies, reviewing and examining everything to enhance performance under the continuous improvement mantra. As a result of our action, Moody's upgraded Ozaukee County's bond rating from AA to AAA, we have built a capital and operating reserve, maintained our capital infrastructure, shared services with our local government partners, reduced full time equivalent positions, and taxed at or near the lowest rate in the State.

In my view Wisconsin could use a hard "look in the mirror," examining its myriad of mandated policies that do not add value but rather force local governments to spend more than necessary. Prevailing wage requirements are one such item. Recently our Highway Department did a paving project for Ozaukee High School. Since the project was in excess of \$100,000 the school had to pay the County more due to prevailing wage. Our employees got an additional 3% in a \$120,000

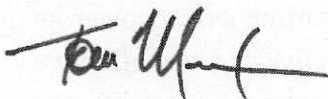
project. Town governments can use a non-union contractor for up to \$234,000 of work, but if they would like to utilize the county the threshold is \$100,000. What that arbitrary threshold contributed to organizational efficiency and sharing services is inexplicable.

This example is just the tip of the iceberg, especially so since we are one of seventy two counties in Wisconsin. Based on quick analysis prevailing wage requirements have cost an additional 2-3% of some of our projects without adding any importance. Taxpayers expect that government act more like a business. To address that challenge, removing artificial government constraints from delivering real value to the local taxpayers is extremely important.

I urge this Committee and ultimately our Legislature remove this prevailing wage requirement on local government. While you are at it, I recommend that you examine the current public bid threshold requirement of \$25,000 and get a perspective of how this adds costs such as architectural fees and preparation of detailed specifications for simple building projects such as a pole barn structure on our Fairgrounds or Highway Shop. From a more macro perspective, consider the 2012 U.S. Census data that indicates that Wisconsin is 20th highest in U.S.A. population with the 10th highest number of local governments. Can our children and grandchildren continue to afford the way we currently provide for their business?

Many County government leaders desire to work with the Legislature to allow us to “act more like a business.” Our mutual constituents expect continuous improvement.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Tom Meaux', with a stylized flourish at the end.

Thomas W. Meaux
County Administrator Ozaukee County



Parks, Recreation & Forestry

May 4, 2015

Senator Duey Stroebel
Room 18 South
State Capitol
Madison, WI 53708

Dear Senator Stroebel and the Wisconsin State Senate:

Thank you for the opportunity to write on behalf of Senate Bill 49 and the repeal of the Prevailing Wage Law. The Prevailing Wage Law should be eliminated or repealed as soon as possible. If repealed, the City of West Bend would realize substantial financial savings and increased productivity for staff.

Financially, the cost of public works projects is typically increased between 20-30% because of the Prevailing Wage Law. The City of the West Bend is currently working with a Non-Profit Foundation who is willing to donate \$200,000 toward the renovation of our old downtown park. This is a very generous offer and the City would like to accept it to cover the complete cost of renovation. The project itself, without Prevailing Wage, will cost approximately \$200,000. With Prevailing Wage, it will increase the cost to \$230,000 - \$250,000. The simple answer is that with the current Prevailing Wage Law, we will not be able to go forward with the project.

Secondly, the Prevailing Wage Law is a complete detriment to productive work time. Our project manager has to deal with 40-50 pages of information in the packet, then receive an Affidavit of Compliance from each General and Subcontractor along with a Lien Waiver from each. Our project manager also has to verify payment schedules for each pay application that we receive. The spreadsheets become enormous! The info above does not even include the amount of paperwork for the General Contractor. In addition to paying much higher wages, the General Contractor builds in a higher contractor fee to deal with all of the paperwork. All of these costs are passed onto the municipality and our residents.

The City of West Bend and more importantly – the residents of West Bend will reap the benefits of eliminating the antiquated Prevailing Wage Law.

Thank you for the opportunity to write on behalf of eliminating the Prevailing Wage Law. Please contact me at 262-335-5080 or hoepnnerc@ci.west-bend.wi.us if you need further information.

Sincerely,

Craig Hoepfner

Craig Hoepfner
Director



AMERICANS FOR PROSPERITY.

WISCONSIN

Dear members of the Wisconsin Senate,

On behalf of more than 125,000 Americans for Prosperity activists across Wisconsin, I write in strong support of Senate Bill 49, which would repeal the state's outdated and costly "prevailing wage" statute. Simply put, this is yet another enormous opportunity for Wisconsin to protect taxpayers, control government spending, and strengthen a fair and free market in our state.

SB 49 would allow businesses and workers to compete more freely to be paid fair market wages for public projects, rather than subject taxpayers to costs that this antiquated law can inflate by as much as 40 percent above market rates.

In 2014, these artificially inflated costs added \$300 million to the tab of Wisconsin taxpayers. Last month, voters approved 48 school district referendums. Paying fair market wages could save taxpayers over \$37 million on these important projects. In Senator Marklein's district alone, savings on these projects would have totaled nearly \$2 million for the Mauston, Platteville, and Weston school districts.

These are real savings that could be spent in the classroom, on fixing roads, investing in the economy, or returned to the hardworking Wisconsinites who earned that money in the first place.

The prevailing wage is a Depression-era dinosaur whose clear intent was to distort the free market by creating a barrier to entry for certain businesses. Ironically, however, the ones now being hurt most by this wage mandate's complexity are Wisconsin's own small businesses – many of whom choose to not even submit a bid for public projects as a result.

Moreover, the formula used to determine rates under the law is completely arbitrary. According to the Maclver Institute, the state gets its raw data by surveying construction companies around the state –but this survey is only returned by about one-tenth of businesses. In addition, instead of taking an average of all local wages, the state only uses the top half of wages – intentionally making the cost of taxpayer-funded projects more expensive than they would otherwise be.

Worst, these government-mandated wages disproportionately harm lower-income communities. Since the rates rarely mirror local market rates, poorer communities are forced to devote a larger share of income to public construction projects. The difference between government-mandated wages and average market wages is often highest where the income of taxpayers funding these projects is lower.

In short, this law represents an unnecessary added burden on struggling Wisconsin families that this legislature could eliminate immediately by passing SB 49.

Our state is constantly mired in debate over government spending on things such as education and now a potential gas tax increase. It would be absurd to demand even more from the paychecks of hardworking Wisconsinites while leaving this expensive mandate in place.

Wisconsin lawmakers have approved several bills in recent years to protect taxpayers. SB 49 represents another such opportunity, one that could help pave the way for even more ambitious reforms that would make our state more even competitive and attractive.

Indiana's legislature just recently took this bold step. Wisconsin should not miss its chance.

Once again, on behalf of 125,000 activists across the state of Wisconsin, Americans for Prosperity strongly supports Senate Bill 49, repeal of the state's prevailing wage statute. We will plan to applaud legislators who vote to protect taxpayers and the free market, and hold accountable those who protect the outdated and expensive status quo instead.

Thank you.

Sincerely,

Annette Olson

Deputy State Director

Americans for Prosperity-Wisconsin

May 1st 2015



Dear Wisconsin State Legislator:

The individuals who have signed this letter below collectively support the repeal of Wisconsin's Prevailing Wage Law, based on the laws impact to the School District of New Berlin.

The School Board of the School District of New Berlin is a public body that regularly authorizes construction projects that, under current law, requires the application of prevailing wage rates. The current law requiring the payment of prevailing wage, increases the cost of public projects by an estimated 10% or more, creating an unfair burden on the taxpayers of New Berlin and the State of Wisconsin.

As members of the School Board we believe in, and support competitive wage rates determined in a free market, unburdened by laws and regulations. Prevailing wage artificially increases wages above the free market. With several large projects on the horizon, including but not limited to: replacement of indoor pool, complete replacement of high school parking lot and HVAC system replacement/upgrade at three school buildings. Early estimates for these projects is between 8 – 10 million dollars. The Repeal of Wisconsin's Prevailing Wage Law would save the Tax Payers of New Berlin an estimated \$800,000.00 or more on the listed projects alone.

By my signature below, I attest to support the repeal of Wisconsin's Prevailing Wage Law as an individual taxpayer of the School District of New Berlin. Although I am a member of the Board of the School District of New Berlin, the above positions were not debated or approved by the School Board as an action of the school district.

For more information, Please contact Dave Maxey (262) 789-6590, ext. 2561

Dave Maxey, President

Tom David, Vice-president

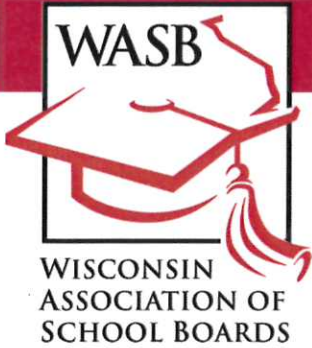
Susan Manley, Clerk

Jody Kugler, Treasurer

Jeffry Kurth, member

Nate Nickerson, member

Amy Crosby, member



122 W. Washington Avenue, Madison, WI 53703
Phone: 608-257-2622 · Fax: 608-257-8386

John H. Ashley, Executive Director

TO: Members, Senate Committee on Labor and Government Reform
FROM: Dan Rossmiller, Government Relations Director
RE: Senate Bill 49, relating to elimination of state prevailing wage law
DATE: May 5, 2015

The Wisconsin Association of School Boards (WASB) supports Senate Bill 49 which proposes to repeal the state's prevailing wage law.

Under current law Wisconsin school boards (and other local government units) planning to undertake building projects must apply to the state Dept. of Workforce Development (DWD) for a determination of the prevailing wage rate for each trade or occupation required by the project before soliciting bids or entering into contracts for the building project. DWD determines the prevailing wage rates and informs the school board within 30 days. This law applies to single trade projects of \$48,000 or more and to multiple-trade projects of \$100,000 or more.

A study from the Wisconsin Taxpayers Alliance (WISTAX) suggests the prevailing wage law cost taxpayers at least \$200 million last year, noting that state and local taxpayers would have saved anywhere from \$200 to \$300 million if market-based rates were paid on such projects.

The study's authors critiqued the law's narrow methodology in calculating prevailing wages and the inability of prevailing wage rates to mirror industry wage trends or regional disparities. As a result, prevailing wage rates are overestimated by 23 percent compared to federal Bureau of Labor Statistics (BLS) wage data for the same Wisconsin workers. When worker benefits are added in, taxpayers are paying for labor costs that are inflated by as much as 45 percent.

The state of Ohio exempted school construction from its prevailing wage law in 1997. Five years later the Ohio Legislative Service Commission (their Legislative Fiscal Bureau) found that Ohio schools had saved \$488 million or about 11 percent on construction spending.

Repealing the law or exempting school construction projects from this law's requirements would also remove "red tape" and simplify the construction bidding process for school boards. It may also encourage more local bidders by removing prevailing-wage-related record-keeping requirements on contractors. Often, local contractors are reluctant to bid on projects subject to the prevailing wage law because they believe the record-keeping requirements are burdensome or fear they may become subject to an audit of their employee payrolls. Changes in this law would help school boards build partnerships with local employers and help keep dollars in their local communities, strengthening those communities.

2 May 2015

Dear Labor Committee Members,

My name is Dan Zimmerman. My apologies for not attending the committee hearing in person, but work precludes it.

I am Vice President of Ripon's Board of Education. But, I am not writing representing my Board. We did not have time to meet to discuss the information I'll provide you.

However, I am writing to represent the overwhelming majority of friends, neighbors, and fellow Wisconsinites that believe it is time to repeal Wisconsin's "Prevailing Wage" law in total. No tinkering, tweaking, or twerking it. Just complete repeal. It's an archaic, anti-competition, protectionist law with arcane procedures that serves all taxpayers in no useful way. It needs to go.

Allow me to explain how the law's repeal will help us immediately address challenges we all have before us.

You are wrestling with how to restore proposed cuts in various portions of the state budget while facing revenue projections that are less than permissive of such restoration. You can find some of that money right now by repealing the "Prevailing Wage" law.

If repealed now, my school district stands to save \$2.8 to \$4.2 million on our \$31 million high school/middle school construction project we broke ground on last month. I calculate these numbers by using the Wisconsin Taxpayers Alliance range of 9-13.5% cost premium for "Prevailing Wage" projects.

In November 2014, Ripon voters by a 2-to-1 margin graciously passed a much-needed \$29.1 million construction referendum. As the construction planning moved forward, we realized that additions to the project were necessary so we added new funding of \$1.9 million by using \$1 million in fund balance and borrowing an additional \$900K, bringing the total to \$31 million.

Even if WTA's estimates only hold partially true, my district can cancel its planned \$900k loan and also use the money returned to fund balance to cover projected budget shortfalls due to state per-student aid reductions. The remainder of referendum dollars returned to the construction account will resource additional construction project components currently on our decrement list.

Currently the district projects about a \$1 million shortfall over the biennium -- \$200K in 2015-16 and \$800K in 2016-17. As one of Wisconsin's most fiscally-responsible districts, evidenced by our top-notch bond rating, we are struggling to find this savings apart from staff and program cuts. We've taken full advantage of Act 10 tools, instituted consumer driven approaches in our benefits, and have also moved aggressively toward self-funding our insurance operations. All of these are positive steps.

We've done all that the legislature has asked of us. Now, we, the people, ask the legislature to do something for us. Many of us understand that repealing "Prevailing Wage" is not popular in some circles -- especially those circles like unions and union-manned contractors. We understand that these entities are powerful and carry significant sway over large voting blocks.

But sometimes votes must be cast based on what's right for taxpayers overall and not what's advantageous for certain interest groups or what will help you get re-elected. At the local level, we've made hard choices -- in many cases firing our family, friends, and neighbors due to badly needed, long

2 May 2015

overdue budget cuts. Now we ask you to remove this revenue-swallowing "Prevailing Wage" cancer from the state's code.

Like many well-intended laws, the "Prevailing Wage" law morphed into something it was never intended to be – a tool for politically well-connected special interests to extract money from the public treasury. Its need has passed and it's time for repeal.

According to Assembly Speaker Vos, some legislators apparently "lack the political will" to act.

Why would any politician lack the will to end an archaic, anti-competitive practice that overcharges taxpayers anywhere from 9 to 13.5% for our school construction project?

Why should a widget laborer, for instance, who is paid a fair \$27.50/hr on a privately-funded project be paid an inflated \$50/hr to do the identical work across the street on the public high school?

This kind of perverse government "logic" gave us \$435 claw hammers, the \$640 toilet seats, and \$7,600 coffee makers. It's asinine and it needs to end now.

Weaning addicts off their steady diet of taxpayer money is certainly challenging and may even require heavy doses of taxpayer methadone. But, no matter how daunting, try we must for the sake of public education funding and our state's solvency.

Thank you for your time and may God grant you the utmost wisdom in your decision making.

A handwritten signature in black ink, appearing to read 'Dan Zimmerman', written in a cursive style.

Dan Zimmerman
205 State Street
Ripon



Wisconsin Rural Water Association

350 Water Way • Plover, Wisconsin 54467

715-344-7778 • Fax: 715-344-5555 • E-mail: wrwa@wrwa.org

To: Chairperson Stephen Nass
Members, Senate Committee on Labor and Government Reform

From: David Lawrence, Executive Director, Wisconsin Rural Water Association

Date: May 5, 2015

Subject: **Exempt Local Utility Projects from Prevailing Wage Regulation**

The Wisconsin Rural Water Association is a nonprofit organization that is the leading provider of training and technical assistance to water & wastewater system operators, managers and administrative personnel in the state of Wisconsin. WRWA represents 676 water & wastewater systems providing services to over four million Wisconsin residents.

WRWA supports significant changes to Wisconsin's prevailing wage law, including full repeal. One specific reform that would greatly benefit the local water utilities across the state is to exempt municipal public utility construction projects from the state prevailing wage law. This exemption would apply to municipally-owned utility infrastructure to furnish water, light, heat or power OR to provide sewer and storm water service, including water utilities, combined water and sewer utilities, sewerage and storm water systems, joint local water authorities, and municipal electric companies. Projects means construction of any new plant, equipment, property or facility, or extension, improvement or addition to existing plant, equipment, property, apparatus or facilities.

Prevailing wage requirements artificially inflate costs for local utility project and other public infrastructure projects. These costs are then passed down to the taxpayer, as local municipal utilities are forced to raise their rates in order to cover the additional cost.

In addition, the administrative requirements under prevailing wage are significantly onerous – especially in small communities. For example, one WRWA member, Rib Lake, is a municipality of 900 residents and employs only one clerical staff to manage all the duties of the Municipal Clerk and Treasurer – including the complicated and convoluted prevailing wage paperwork.

Recent research from the Wisconsin Taxpayers Alliance further demonstrates that Wisconsin's prevailing wage law results in substantially higher costs for municipal ratepayers. The WISTAX research shows that the state-mandated methodology used to dictate these wages is “flawed, resulting in extra building costs in 2014 of as much as \$299.5 million.” The research also found that Wisconsin's poorest counties bear a disproportionate share of these costs.

Other findings from the WISTAX study include:

- Wisconsin only receives 10% of survey responses back from those Wisconsin businesses who help determine the prevailing wage (federal percentage is 76%).

- Because the prevailing wage is set at the average of the top 50% of the responses, the current reporting system often results in statewide or regional figures to set a wage rate that does not reflect a county's labor market.
- WISTAX concluded that, on average, Wisconsin prevailing wage overall compensation packages are 44 percent higher than Bureau of Labor Statistics package rates.

Exempting local utility projects from prevailing wage will save Wisconsin ratepayers dollars, cut burdensome red tape, and give local utilities a critical tool to help stretch ratepayer dollars further. Maintaining and paying for local utility infrastructure is an ongoing challenge in Wisconsin. Exempting local utility projects from the prevailing wage law is part of the solution to this problem.

Thank you for your consideration of this important issue.

To: Chairperson Stephen Nass
Members, Senate Committee on Labor and Government Reform

From: R.J. Pirlot, Aggregate Producers of Wisconsin

Subject: **Senate Bill 49: Prevailing Wage Clarification (Trucking of Mineral Aggregates)**

Date: May 5, 2015

The Aggregate Producers of Wisconsin (APW) is a statewide trade association dedicated to the concerns of crushed stone, sand and gravel producers, and to businesses that provide goods and services to the aggregate industry.

APW neither supports nor opposes Senate Bill 49. APW requests clarification of the application of Wisconsin's prevailing wage law to the trucking of mineral aggregate material. Specifically, APW requests you amend §§ 66.0903(4), 103.49(2m), and 103.50(2m), Wis. Stats, to apply the state's prevailing wage law to the trucking of mineral aggregate to a job site in the same manner it is applied to trucking of other material. Under current law, if the material being delivered to the job site comes from a commercial source, the trucking of that material is not be subject to prevailing wage *unless it is mineral aggregate*.

Under the proposed change,

- the unique exception for trucking of mineral aggregate would be eliminated;
- the state's prevailing wage law would be clearer and more consistent;
- the application of the federal Davis Bacon Act to federal-aid projects would be unchanged;
- the application of the prevailing wage law to the trucking of materials from a facility dedicated exclusively, or nearly so, to a project of public works, would be unchanged;
- the application of Wisconsin prevailing wage law regarding the trucking of mineral aggregates would be harmonized with the federal Davis Bacon Act; and
- the application of Wisconsin prevailing wage law regarding the trucking of mineral aggregates would be harmonized with how Wisconsin law treats the trucking of other materials from a commercial facility (one that is not dedicated exclusively, or nearly so, to a project of public works).

With this clarification, without exception, the prevailing wage law would not apply to a truck driver who is regularly employed to deliver aggregate materials from a commercial facility to a public works project. Such a truck driver, however, would continue to be covered under the prevailing wage law for work performed on the site of the project.



2110 Washington Street
New Holstein, WI 53061
Phone (920) 898-5776
Fax (920) 898-5879
Email: nhutilities@wppienergy.org

TO: Members of the Senate Committee on Labor and Government Reform
FROM: Randy Jaeckels, General Manager
DATE: May 5, 2015
RE: New Holstein Utilities Testimony on Senate Bill 49

Chairman Nass and committee members, thank you for the opportunity to appear before the committee this morning to offer New Holstein Utilities' testimony on Senate Bill 49, relating to elimination of the requirement that certain workers on public works projects be paid the prevailing wage. My name is Randy Jaeckels, and I am the General Manager of New Holstein Utilities. New Holstein Utilities is a municipally-owned electric, water, and wastewater utility. We have been in business since 1912 and we serve approximately 2,774 customers in the City of New Holstein and five surrounding townships.

Maintaining reliable utility infrastructure is an ongoing challenge for New Holstein Utilities. A recent report from the Wisconsin Taxpayers Alliance (WISTAX) shows that Wisconsin's prevailing wage law results in higher costs to municipal utility ratepayers. As the study highlighted, Wisconsin's current formula for determining wages is flawed and results in overall compensation packages that are 44 percent higher than Bureau of Labor Statistics. Furthermore, due to existing project thresholds for public works projects, nearly every project New Holstein Utilities cannot complete in-house qualifies for prevailing wage due to the relatively low threshold of \$100,000 for multi-trade projects. A \$100,000 threshold amounts to roughly one-half block of water distribution or wastewater collection infrastructure and a very small section of our electric distribution system. Additionally, the threshold puts us at a competitive disadvantage with surrounding investor-owned electric utilities who are not subject to prevailing wage law – which lowers their infrastructure replacement costs on comparable projects.

In 2014, New Holstein Utilities participated in a joint infrastructure improvement project with the City of New Holstein and the Calumet County Highway Department. As a part of the scope of the project, New Holstein Utilities replaced 3,000' of sanitary sewer main and 4,500' of water main plus other infrastructure at a cost of \$896,000. We utilized the WDNR's Safe Drinking Water Loan Fund and the Clean Water Loan Fund to finance these projects. These projects required the use of prevailing wage.

In 2015, we are again utilizing the WDNR's Clean Water Loan Fund to assist in financing a \$2,149,000 wastewater treatment plant improvement project. Again, this project requires the use of prevailing wage.

Due to the prevailing wage component of the loans, it is estimated that New Holstein Utilities could pay up to \$90,500 or more in labor costs for the total of these projects. In 2013, we completed two water and sanitary sewer improvement projects in the City of New Holstein

which we did not finance. Both projects were one-block in length. The costs of these projects were \$113,225 and \$136,700 respectively. As noted earlier in my comments, the savings of not paying the prevailing wage rate could have paid for a large percentage of one of these projects.

Eliminating prevailing wage requirements from local utility projects will save Wisconsin ratepayer dollars, cut burdensome red-tape, and provides utilities with more resources to spend on replacement of critical aging infrastructure. I appreciate the opportunity to appear before you today and I would be happy to answer any questions.

DATE: May 2, 2012

11 New Wisconsin Utilities Testimony on Senate Bill 110

Wisconsin's utility industry is a critical part of our state's infrastructure. It provides the services that are essential to our daily lives, from electricity to water and sewer service. The industry is a major employer in the state and a significant contributor to our economy. It is also a highly regulated industry, with rates of return and other financial metrics closely monitored by the Public Service Commission (PSC). The PSC's role is to ensure that utilities are able to recover their costs and provide a reasonable return on their investments. This is essential to the industry's ability to maintain and improve its infrastructure, which is critical to the state's long-term economic and social well-being.

One of the key challenges facing the utility industry is the need to invest in infrastructure. The industry's infrastructure is aging and in need of significant investment. This investment is essential to ensure that the industry is able to provide reliable and safe services to its customers. However, the industry's ability to invest in infrastructure is often constrained by the PSC's rate-of-return requirements. These requirements can be particularly burdensome for smaller utilities, which may not have the same economies of scale as larger utilities. This can result in higher rates for smaller utilities, which can in turn lead to higher costs for ratepayers. The industry is therefore seeking to eliminate prevailing wage requirements from local utility projects. This would allow utilities to allocate more resources to infrastructure investment, which would ultimately benefit ratepayers by ensuring that the industry is able to provide reliable and safe services at a reasonable cost.

The industry is also seeking to eliminate prevailing wage requirements from local utility projects because these requirements can be particularly burdensome for smaller utilities. Smaller utilities often have higher rates of return than larger utilities, which can result in higher rates for ratepayers. This is because smaller utilities do not have the same economies of scale as larger utilities. The industry is therefore seeking to eliminate prevailing wage requirements from local utility projects to ensure that all utilities are able to provide reliable and safe services at a reasonable cost. This would also help to level the playing field for all utilities, which would ultimately benefit ratepayers by ensuring that the industry is able to provide reliable and safe services at a reasonable cost.

The industry is also seeking to eliminate prevailing wage requirements from local utility projects because these requirements can be particularly burdensome for smaller utilities. Smaller utilities often have higher rates of return than larger utilities, which can result in higher rates for ratepayers. This is because smaller utilities do not have the same economies of scale as larger utilities. The industry is therefore seeking to eliminate prevailing wage requirements from local utility projects to ensure that all utilities are able to provide reliable and safe services at a reasonable cost. This would also help to level the playing field for all utilities, which would ultimately benefit ratepayers by ensuring that the industry is able to provide reliable and safe services at a reasonable cost.

Tim Peterson
Cell (715) 965-3601
tim.peterson@jpsbp.com

James Peterson Sons, Inc.

P.O. Box 120 - Medford, WI 54451

**SENATE COMMITTEE ON LABOR
PUBLIC HEARING ON SENATE BILL 49
PREVAILING WAGE
May 5, 2015**

Good morning. My name is Tim Peterson, and I am the Vice President of James Peterson Sons, Inc. based out of Medford, Wisconsin with offices in Sheboygan, Wisconsin and Crystal Falls, Michigan. We are a 5th generation business employing 200 people, seasonally. We primarily work on public works projects covering the State of Wisconsin and Michigan's Upper Peninsula.

Do Prevailing Wage laws need to be REPEALED? Definitely not!! Do Prevailing Wage Laws need to be TRANSFORMED? Maybe. **117 of my employees said they are not in favor of REPEALING Prevailing Wage.**

You will probably hear today from many contractors, union members and Prevailing Wage experts. But let me explain to you today; not only based on a survey that I sent out to our employees, but also my thoughts how reducing Prevailing Wage wages will affect our employees and business.

Since we work throughout the State of Wisconsin and the U. P., our employees are traveling several hundred miles from home to work each week for 8 to 10 months of the year. We do not reimburse our employees for "living away from home" expenses such as meals, lodging, gas or wear and tear on their vehicle. The cost to them is \$8 to

\$10 per hour to cover these weekly expenses. So if their wages are substantially reduced, what is their incentive to drive several hundred miles to work on the road? In fact, the survey that I mentioned earlier said that almost all of our employees, who responded to the survey, would only work 30 to 60 miles from home if their wages are cut because they rely on the higher wage rates to help offset these expenses.

Many of our employees have worked together as a team or crew for many years, so we are familiar with their productivity. So if their wages are cut, and they won't travel more than 60 miles from home, how do we assemble a crew in Kenosha or Superior and get the productivity from strangers working together? By relying on a local pool of workers who have not worked together as a team for our company, we will be very inefficient at what we do best. This inefficiency will not only cost us money on a project, but we will have to increase our bid for the next public works project we bid on; thus, possibly costing the tax payer money.

Just another tidbit from the survey that we sent out; our employees also said they would re-allocate money from their training fund contribution back into their wages to help offset the previously mentioned "living away from home" expenses.

One last fact: 90 out of the 117 responders said they would not vote for their legislator if Prevailing Wage rates are repealed! THANK YOU for your attention today.

I would be happy to answer any questions that the committee may have at this time.

JAMES PETERSON SONS, INC. PREVAILING WAGE SURVEY
157 surveys mailed to employees. 94 responses as of 04/23/2015.

Wisconsin's state legislators are considering the repeal of prevailing wages (PW) this session. This means that certain transportation projects funded only with state funds could see a cut in wages.

- | | | |
|---|---------------------------------|---------------------------------|
| 1. I am in favor of the repeal. | _____ Yes (cut wages) | 94 No (keep wages as is) |
| 2. I rely on higher wages to help offset out-of-pocket expenses when traveling for my job. | 91 Yes | 2 No |
| 3. Currently, for my job, I travel throughout the state of Wisconsin. | 91 Yes | 3 No |
| 4. If PW is repealed, I will travel throughout the state of Wisconsin. | 16 Yes | 77 No |
| 5. Currently, for my job, I travel 12 - 300 miles one-way from my home. | | |
| 6. If PW is repealed, I will travel ½ hour to 1 hour miles one-way from my home.
6 would drive the same miles 100, 200, 300 miles. 8 would seek new employment | | |
| 7. If PW is repealed, I may elect not to allocate part of my wage package towards training of new hires. I will need more dollars allocated towards my take-home pay. | 91 Yes | 3 No |
| 8. If PW is repealed, I will most likely NOT vote for my legislator who supported the repeal. | 73 Yes (voted to repeal) | 21 No |

James Peterson Sons, Inc. is a fourth-generation, multi-disciplined heavy highway and underground contractor that works on state and local highways throughout Wisconsin. Any questions, contact Tim Peterson 715.965.3601 tim.peterson@jpsbp.com.

BUTEYN-PETERSON CONSTRUCTION CO., INC. PREVAILING WAGE SURVEY

23 responses out of 40 mailed as of 04/23/2015.

Wisconsin's state legislators are considering the repeal of prevailing wages (PW) this session. This means that certain transportation projects funded only with state funds could see a cut in wages.

1. I am in favor of the repeal. ____ Yes (cut wages) **23** No (keep wages as is)
2. I rely on higher wages to help offset out-of-pocket expenses when traveling for my job.
23 Yes **0** No
3. Currently, for my job, I travel throughout the state of Wisconsin.
20 Yes **3** No
4. If PW is repealed, I will travel throughout the state of Wisconsin.
1 Yes **20** No
5. Currently, for my job, I travel **30 - 250** miles one-way from my home.
6. If PW is repealed, I will travel **10 - 80 miles** one-way from my home.
1 would drive the same miles 250 miles. 0 would seek new employment
7. If PW is repealed, I may elect not to allocate part of my wage package towards training of new hires. I will need more dollars allocated towards my take-home pay.
23 Yes **0** No
8. If PW is repealed, I will most likely NOT vote for my legislator who supported the repeal.
17 Yes (voted to repeal) **6** No

Buteyn-Peterson Construction Co., Inc., Sheboygan, Wisconsin, is a subsidiary of James Peterson Sons, Inc., and is a multi-disciplined heavy highway and underground contractor that works on state and local highways throughout the eastern portion of Wisconsin. Any questions, contact Tim Peterson 715.965.3601 or tim.peterson@jpsbp.com.

Prevailing Wage

May 5, 2015, 2011 | Testimony by Rep. Bob Gannon

Thank you, Chairman Nass and members of the committee for the opportunity to testify. I'm Bob Gannon, State Representative from the 58th District.

My remarks will focus on three areas related to prevailing wage, including (1) a brief history of such laws, (2) the cost of these mandates on taxpayers, and (3) my recommendation to rescind the prevailing wage law

First, a brief history of prevailing wage laws. Congress passed the federal prevailing wage law—the Davis-Bacon Act—in 1931, in part, to prevent workers from other states—primarily black laborers from the South—from taking public construction jobs. Union testimony to Congress at the time was that "colored labor is being brought in to demoralize wage rates" and referred to black construction workers as "an undesirable element of people." Due to union political power and lobbying success, this law with its blatantly racist origins has remained intact at the federal level and in Wisconsin.

Prevailing Wage law also harms taxpayers, as it forces them to pay higher labor costs on public construction projects. Construction companies forced to pay union-inflated wages and benefits will pay upward of 30 percent more in labor costs for identical work on private sector projects. Recent research sets this amount of wasted tax dollars in Wisconsin at as much as \$300 million dollars.

As the legislature currently debates the Governor's budget, which includes \$127 million in cuts to K-12 schools, \$300 million in cuts to the UW System, and a billion dollar plus shortfall in the transportation fund, how can we as legislators ignore this low hanging fruit from the tree of responsible spending reductions.

The numbers are so telling in this debate. Each senator represents around 165,000 citizens of this state. If we are not prudently spending the tax dollars collected from all of these citizens, then all 165,000 are harmed. If we continue this archaic law, then a few of our constituents benefit, they benefit by charging the state more for construction project that a free and open market says it's worth. Let's represent all citizen in our districts, and terminate this restraint on free trade, so that all can compete on state and local projects, and citizens of all colors have an equal playing field as they attempt to improve their lot in life.

Thank you for your time as you listen to impassioned testimony from all sides. At the end of the day, I believe "we should do no harm", and prevailing wage is an old Jim Crow law that harms minority working men & women and also harms every hardworking taxpayer in the State of Wisconsin.

The time is now to repeal the prevailing wage statute.

Thank you

Stephanie Bloomingdale
Wisconsin State AFL-CIO
In Opposition to SB 49
May 5, 2015

Good morning/afternoon Mr. Chairman and members of the Committee. My name is Stephanie Bloomingdale and I am the Secretary-Treasurer of the Wisconsin State AFL-CIO. I appear before you today on behalf of the hard-working men and women of the Wisconsin State AFL-CIO to oppose SB 49, a bill that is wrong for Wisconsin's workers, our families, and the public who rely on a system of reliable infrastructure.

I. Introduction to Prevailing Wage

Prevailing wage laws, which are on the books in Wisconsin and 31 other states, require contractors who bid on a publicly-funded projects pay their workers a fair wage that is in-line with private sector projects in the same community. Together, Wisconsin's three prevailing wage statutes ensure that our public construction projects are built by well-trained men and women from our own communities. Because *with* prevailing wage, Wisconsin contractors compete fairly and win bids based on merit, not by undercutting labor costs and safety standards. Wisconsin's prevailing wage statutes guarantee that our infrastructure is top-quality, safe, and reliable so that our families and communities are strong, healthy, and prosperous for years to come.

II. Legislative Fiscal Note

Today, some may testify that our Prevailing Wage statutes are in need of full repeal. I implore you to look beyond their talking points and rhetoric and look instead at the Legislative Fiscal Notes and facts.

First, none of the fiscal notes that have been generated as a result of this bill or its Assembly counterpart, indicate any cost savings to the Wisconsin taxpayers whatsoever. Indeed, they all state that any savings *or costs* are "indeterminate."

Please look closely at the fiscal note from the UW System. In its explanation, it observes the importance of high-quality workmanship in the construction of its facilities and shows that Prevailing Wage saves taxpayers money down the line.

University buildings may also house expensive research equipment or sensitive electronic infrastructure that can be catastrophically damaged if the building fails ... Loss of service, loss of employee productivity, the cost of repairs, and equipment replacement are costly.

Some may fantasize about upfront savings, but the truth is prevailing wage laws save taxpayers money in total. Let's make sure that our decisions are in the best interest of businesses and workers. Let's not be penny-wise and pound-foolish.

III. Prevailing Wage Works for Wisconsin

- a. By delivering high-quality construction in the safest and most efficient manner possible, Prevailing Wage delivers value for taxpayers. States with prevailing wage laws have more productive workers – according to the latest research, Wisconsin’s public works’ productivity advantage is between higher than the 18 states that do not have prevailing wage laws. This higher productivity translates into projects finishing on time, with less cost overrun, and buildings & bridges that last.
- b. Prevailing Wage protects local jobs from going to low-wage out-of-state workers. Prevailing wage means that projects hire local workers from our communities, ensuring that our neighbors and not someone from out-of-state gets the job. States that don’t have prevailing wage laws often turn to low-bidding contractors and their out-of-state guest workers to complete jobs. It is only right that Wisconsin tax dollars go to Wisconsin workers and Wisconsin contractors, and not out-of-state workers and contractors.
- c. Prevailing wage laws ensure that public investment in development is done with high-quality workmanship. We, the taxpayers, invest in and rely upon high-quality workmanship every single day to deliver the best quality, long-lasting projects that are safe for the end-user. This means safe schools for our kids and bridges that will withstand the test of time. High-quality, safe buildings, bridges, and infrastructure matter today and tomorrow.
- d. Wisconsin has a robust training and apprenticeship program. At present, 95% of training new construction workers is paid for by joint labor-management programs. This vital apprenticeship program has ensured that the next generation is prepared to take over when the last generation retires. Prevailing Wage provides the underpinning for high quality, intensive training programs that turnout skilled, professional workers year after year, generation after generation. Now is not the time to meddle with an apprenticeship program that supplies a critical pipeline of skilled workers.
- e. Prevailing wage laws helps keep workers safe on the job by preventing needless injuries. Increased injuries and deaths due to lack of training are a cost that Wisconsin should not accept.
- f. Prevailing wage laws ensure that the competitive bidding process is not used to undermine community wage levels and living standards. By setting prevailing wage rates, contractors compete fairly and win bids based on merit.
- g. Proud, skilled labor equals strong investment in our families. In addition, prevailing wage laws ensure stable wages for workers and their families.

Good wages means workers can spend more at local businesses and boost the local economy. Everybody wins when workers are paid a prevailing wage.

IV. Conclusion

Prevailing Wage laws work for Wisconsin.

Instead of trying to undercut the many talented and skilled construction workers in our state, we should be focused on building a robust middle class, sturdy infrastructure, and strong families and communities. Prevailing wage is the key link between safe infrastructure systems and strong communities. Proud, skilled labor equals strong investment in our communities, families, and future.

Thank you for listening to the many of hard working men and women who build and strengthen our State and supporting our prevailing wage laws.



Bob Gannon

STATE REPRESENTATIVE • 58th ASSEMBLY DISTRICT

Prevailing Wage

May 5, 2015, 2011 | Testimony by Rep. Bob Gannon

Thank you Chairman Nass and members of the committee for the opportunity to testify. I'm Bob Gannon, State Representative from the 58th District.

My remarks will focus on three areas related to prevailing wage, including (1) a brief history of such laws, (2) the cost of these mandates on taxpayers, and (3) my recommendation to rescind the prevailing wage law.

First, a brief history of prevailing wage laws. Congress passed the federal prevailing wage law—the Davis-Bacon Act—in 1931, in part, to prevent workers from other states—primarily black laborers from the South—from taking public construction jobs. Union testimony to Congress at the time was that "colored labor is being brought in to demoralize wage rates" and referred to black construction workers as "an undesirable element of people." Due to union political power and lobbying success, this law with its blatantly racist origins has remained intact at the federal level and in Wisconsin.

Prevailing Wage laws also harms taxpayers, as it forces them to pay higher labor costs on public construction projects. Construction companies forced to pay union-inflated wages and benefits will pay upward of 30 percent more in labor costs for identical work on private sector projects. Recent research sets this amount of wasted tax dollars in Wisconsin at as much as \$300 million dollars.

As the legislature currently debates the Governor's budget, which includes \$127 million in cuts to K-12 schools, \$300 million in cuts to the UW System, and a billion dollar plus shortfall in the transportation fund, how can we as legislators ignore this low hanging fruit from the tree of responsible spending reductions.

The numbers are so telling in this debate. Each senator represents around 165,000 citizens of this state. If we are not prudently spending the tax dollars collected from all of these citizens, then all 165,000 are harmed. If we continue this archaic law, then a few of our constituents benefit, they benefit by charging the state more for construction project than a free and open market says its worth. Let's represent all citizens in our districts, and terminate this restraint on free trade, so that all can compete on state and local projects, and citizens of all colors have an equal playing field as they attempt to improve their lot in life.

Thank you for your time as you listen to impassioned testimony from all sides. At the end of the day, I believe “we should do no harm”, and prevailing wage is an old Jim Crow law that harms minority working men & women and also harms every hardworking taxpayer in the State of Wisconsin.

The time is now to repeal the prevailing wage statute.

Thank you