



House of Representatives

General Assembly

File No. 702

January Session, 2001

Substitute House Bill No. 6978

House of Representatives, May 9, 2001

The Committee on Appropriations reported through REP. DYSON of the 94th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING ANNUAL ADJUSTMENTS TO PREVAILING WAGES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 (NEW) (a) On or after October 1, 2001, each contractor that has been
2 awarded a contract for (1) the construction of a state highway or bridge
3 that falls under the provisions of section 31-54 of the general statutes,
4 or (2) the construction, remodeling, refinishing, refurbishing,
5 rehabilitation, alteration or repair of any public works project that falls
6 under the provisions of section 31-53 of the general statutes shall
7 contact the Labor Commissioner each July first, for the duration of
8 such contract, to ascertain the prevailing rate of wages on an hourly
9 basis and the amount of payment or contributions paid or payable on
10 behalf of each mechanic, laborer or worker employed upon the work
11 contracted to be done, and shall make any necessary adjustments to
12 such prevailing rate of wages and such payment or contributions paid
13 or payable on behalf of each such employee, effective each July first.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Potential Minimal Cost for Building Projects (Bond Funds/Debt Service) and Potential Significant Cost and Potential Loss of Federal Funds for Highway Projects (Bond Funds/Debt Service)

Affected Agencies: Department of Labor, Department of Public Works, Department of Transportation, Various State Agencies

Municipal Impact: Potential Minimal Cost (Bond Funds/Debt Service)

Explanation

State and Municipal Impact:

This bill results in potential minimal cost on building construction projects to the state and municipalities in bond funds and debt service. It could result in potential significant cost and the potential loss of federal funds on state highway projects. The bill requires that prevailing wages paid to workers on state highway and state and municipal public works projects be adjusted effective each July first to reflect the revised salary rates as produced by the Department of Labor. The bill has no workload or fiscal impact on the Department of Labor.

It would impact construction projects that begin before July first, and then continue after that date. This could add to the cost of these construction projects as the contractors increase their bids based on anticipated increases in the cost of the labor on their projects. It is anticipated that the potential impact on the cost of building projects would be minimal.

Based on a 1996 study by the Program Review and Investigations Committee, prevailing wage requirements add from 4% to 7% to the cost of construction projects. The average prevailing wage rate increased by 3.6% per year over the last two years. This rate of salary increase is similar to the increase in the average salary of all workers in the state. If the increase in wages on July 1st is 3.6%, and half of the construction project is completed by that time, then the salary adjustments would add from 0.072% to 0.126% to the total cost of the project. Given these assumptions, this would increase costs for a \$1,000,000 project by \$720 to \$1,260.

The Department of Transportation (DOT) indicates that the current bid process allows contractors to recognize changing pay rates and that such an adjustment could result in significant windfall profits to the contractors and in significant additional costs to the state. DOT also indicates that such provisions could violate federal contracting requirements, jeopardizing the receipt of federal funds. They have provided no estimates of the potential cost or the revenue loss.

OLR Bill Analysis

sHB 6978

AN ACT CONCERNING ANNUAL ADJUSTMENTS TO PREVAILING WAGES.

SUMMARY:

This bill requires contractors on state prevailing wage projects to adjust the wages and contributions paid to mechanics, laborers, or workers on those projects each July 1 during the contract to reflect changes in the prevailing wage. It also requires Connecticut and its towns to adjust such contracts to reflect any changes in wages or contributions made by the contractor.

The bill requires contractors to contact the labor commissioner each July 1 during a state prevailing wage project to find out the current prevailing wage and contribution rates.

EFFECTIVE DATE: October 1, 2001

BACKGROUND

Prevailing Wage Law

The state prevailing wage law requires contractors on state highway projects and state and local construction jobs over a certain size to pay their laborers and mechanics working on the jobs at least the same wages as is customarily paid for similar work in the town or city where the project is carried on. Contractors must also make the customary contribution to any employee welfare fund that covers employees, or if there is none, pay the contributions directly to the employees.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute Change of Reference

Yea 11 Nay 3

Government Administration and Elections Committee

Joint Favorable Change of Reference

Yea 17 Nay 3

Appropriations Committee

Joint Favorable Substitute

Yea 45 Nay 5