



House of Representatives

File No. 857

General Assembly

January Session, 2001

(Reprint of File Nos. 702 and 815)

Substitute House Bill No. 6978
As Amended by House Amendment
Schedule "B"

Approved by the Legislative Commissioner
June 2, 2001

AN ACT CONCERNING ANNUAL ADJUSTMENTS TO PREVAILING WAGES AND CONSTRUCTION OR REMODELING OF PUBLIC WORKS PROJECTS.

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

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

15 Sec. 2. Subsection (g) of section 31-53 of the general statutes is
16 repealed and the following is substituted in lieu thereof:

17 (g) The provisions of this section shall not apply where the total cost
18 of all work to be performed by all contractors and subcontractors in
19 connection with new construction of any public works project is less
20 than [four hundred thousand] one million dollars or where the total
21 cost of all work to be performed by all contractors and subcontractors
22 in connection with any remodeling, refinishing, refurbishing,
23 rehabilitation, alteration or repair of any public works project is less
24 than [one] five hundred thousand dollars.

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: Significant Savings, in excess of \$100,000 and Potential Minimal Cost (Bond Funds/Debt Service)

Affected Agencies: Departments of Public Works, Transportation and Labor, University of Connecticut, Various State Agencies

Municipal Impact: Significant Savings, in excess of \$100,000 and Potential Minimal Cost (Bond Funds/Debt Service)

Explanation

State and Municipal Impact:

This bill results in significant savings (in excess of \$100,000) and in potential minimal cost on building construction projects to the state and municipalities in bond funds and debt service costs.

The bill increases the threshold at which the payment of prevailing wages to construction workers is required, from \$400,000 up to \$1,000,000 for new construction projects and from \$100,000 up to \$500,000 for renovation and remodeling projects. Savings would occur for new construction projects and for renovation projects valued between these amounts.

A study of the impact of prevailing wage laws on the cost of construction conducted by the Legislative Program Review and Investigations Committee in 1996 concluded that these requirements

add from 4% to 7% to the total cost of projects. Therefore, the savings on a \$900,000 new construction project would range from \$36,000 to \$63,000 and the savings on a \$475,000 renovation project would range from \$19,000 to \$33,250.

The current thresholds were established in 1991 (see table below).

PREVAILING WAGE THRESHOLDS

YEAR/ACT	NEW BUILDING	RENOVATIONS
PA 91-74	\$400,000	\$100,000
PA 85-355	\$200,000	\$50,000
PA 79-325	\$50,000	\$10,000
1961	\$5,000	\$5,000

The bill also 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. This has no workload or fiscal impact on the Department of Labor.

It would impact construction projects that begin before July 1st, and then continue after that date. This could add to the cost of these construction projects if the contractors do not already increase the salaries of their workers upon changes in the prevailing wage rates. The potential cost increase, which might be reflected in higher bids in future years, is anticipated to be minimal.

The 1996 study by Program Review also concluded that the on-site labor costs for construction projects represent 25% of the total cost of the projects. The average prevailing wage rates 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.

Based on the assumptions (1) that 25% of the cost of projects are for

labor, and (2) that the increase in wages on July 1st is 3.6%, and (3) that half of the construction project is completed by that time, and (4) that contractors do not currently adjust the salaries of their workers when prevailing wage rates change, then the salary adjustments would add about 0.45% to the total cost of the project. Given these assumptions, this would increase costs for state and municipal construction projects by \$45,000 per \$1,000,000 of construction cost.

House Amendment "B" increases the thresholds for the cost of a construction project at which the payment of prevailing wages to construction workers is required, and results in significant savings to the state and municipalities.

OLR Amended Bill Analysis

sHB 6978 (as amended by House "B")*

AN ACT CONCERNING ANNUAL ADJUSTMENTS TO PREVAILING WAGES.**SUMMARY:**

This bill increases the minimum amount that public works projects must be worth before the prevailing wage has to be paid to workers on the project. It makes the prevailing wage law apply to projects involving new construction costing at least \$1 million instead of \$400,000 and to projects involving repairs or alterations costing at least \$500,000 instead of \$100,000.

The bill also requires contractors on state and municipal 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 requires contractors to contact the labor commissioner on or before each July 1 during the time work is being performed on such projects to find out the current prevailing wage and contribution rates.

*House Amendment "B" increases the prevailing wage law threshold.

EFFECTIVE DATE: October 1, 2001

BACKGROUND***Prevailing Wage Law***

The state prevailing wage law requires contractors working on large state or local public works projects to pay laborers and mechanics working on the projects at least the same wages customarily paid for similar work in the town or city where the work is being performed. 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.

Legislative History

The House referred this bill (File 702) to the Transportation Committee on May 16, which, on May 17, eliminated the requirement that the state and towns adjust prevailing wage contracts to reflect the wage changes made by contractors. On May 31, the House referred the bill (File 815) to the Planning and Development Committee, which, on that same day, reported it favorably without changes.

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

Transportation Committee

Joint Favorable Substitute

Yea 18 Nay 2

Planning and Development Committee

Joint Favorable Report

Yea 13 Nay 4