



## Senate

General Assembly

**File No. 239**

February Session, 2002

Substitute Senate Bill No. 63

*Senate, April 2, 2002*

The Committee on Planning and Development reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, 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 Section 1. (NEW) (*Effective October 1, 2002*) Each contractor that is  
2 awarded a contract on or after October 1, 2003, for (1) the construction  
3 of a state highway or bridge that falls under the provisions of section  
4 31-54 of the general statutes, or (2) the construction, remodeling,  
5 refinishing, refurbishing, rehabilitation, alteration or repair of any  
6 public works project that falls under the provisions of section 31-53 of  
7 the general statutes shall contact the Labor Commissioner on or before  
8 July first of each year, for the duration of such contract, to ascertain the  
9 prevailing rate of wages on an hourly basis and the amount of  
10 payment or contributions paid or payable on behalf of each mechanic,  
11 laborer or worker employed upon the work contracted to be done, and  
12 shall make any necessary adjustments to such prevailing rate of wages  
13 and such payment or contributions paid or payable on behalf of each

14 such employee, effective each July first.

This act shall take effect as follows:	
Section 1	October 1, 2002

**Statement of Legislative Commissioners:**

The phrase "On or after October 1, 2003," was moved from the beginning of the sentence and inserted after the first appearance of the word "contract" for clarity.

<b>LAB</b>	<i>Joint Favorable C/R</i>	GAE
<b>GAE</b>	<i>Joint Favorable C/R</i>	PD
<b>PD</b>	<i>Joint Favorable Subst.-LCO</i>	

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:**

Fund-Type	Agency Affected	FY 03 \$	FY 04 \$
TF Bonds / Debt Serv. - Cost	Transportation, Dept.; Treasurer, Debt Serv.	-	Potential Minimal
GO Bonds / Debt Serv. - Cost	Pub. Works, Dept.; Judicial Dept.; UConn; Various Agencies, Treasurer, Debt Serv.	-	Potential Minimal
TF - Cost	Transportation, Dept.	61,500	129,200
GF - None	Labor Dept.	-	None

Note: TF Bonds=Transportation Fund Bonds; GO Bonds=General Obligation Bonds; TF=Transportation Fund; GF=General Fund

**Municipal Impact:**

Effect	Municipalities	FY 04 \$
Cost	All Municipalities	Potential Minimal

**Explanation**

This bill results in potential costs to the state and municipalities for building construction projects in Bond Funds (or debt service) that are anticipated to be minimal. It also results in additional costs to the Department of Transportation (DOT) of about \$61,500 in FY 03 and \$129,200 in FY 04 for one additional position and other expenses. Refer to the table on the next page.

This requires DOT to establish a new procedure for monitoring the contractors' compliance with federal and state prevailing wage laws. It increases the department's administrative cost for the oversight, preparation and administration of labor wage checks from the department's current procedure. Currently, labor wage rates are obtained from the Department of Labor (DOL) and are provided with each contract at the time the contract is advertised for bid. Once the

contract is awarded and construction is underway, the field inspectors perform periodic wage checks to monitor the contractor's compliance with the federal and state prevailing wage rates provided with each contract.

Changes to the current wage check procedure under the bill would require that, on every July 1<sup>st</sup> during the contract, a DOT employee obtain the current labor wage rates for each of the eight counties. The rates for each district would have to be separated and then the new prevailing wage rates disseminated accordingly. Once the new rates were received in the districts, a district representative would have to disseminate the new prevailing wage rates to the appropriate projects. There are an average of 150 to 170 individual projects ongoing at any one time. The prime contractor would be responsible for forwarding the new prevailing wage rates to its subcontractors. The department's field staff would have the final obligation of ensuring that the contractor use the most current wage rates when performing its labor wage checks every July 1<sup>st</sup>.

**DOT OPERATING COSTS**

ACCOUNT	FY 03	FY 04
Positions	1	1
Personal Services	\$41,500	\$87,200
Fringe Benefits <sup>1</sup>	\$16,600	\$34,900
Other Expenses	\$3,400	\$7,100
<b>TOTAL</b>	<b>\$61,500</b>	<b>\$129,200</b>

This could also add to the cost of construction projects that last for at least two years because the contractors might have to increase their bids based on anticipated increases in the cost of the labor on their projects. It is estimated that the potential impact on the cost of

<sup>1</sup> Fringe benefit costs are not included in the agency's operating budget. They are appropriated to various accounts under the Miscellaneous Accounts Administered by the Comptroller.

building projects would be minimal.

Based on a 1996 study by the Program Review and Investigations Committee, salaries and fringe benefits comprise an average of 25% of construction project costs. Prevailing wage rates have increased by an average of 3.6% per year over the last two years. For a two year construction project, if the increase in wages on July 1<sup>st</sup> is 3.6%, and half of the project is completed by that time, then the salary adjustments would add 0.45% to the total cost of the project. Given these assumptions, this would increase costs for a \$10,000,000 project by \$45,000. The increase in annual debt service costs would be minimal. In addition, it is not known how many current construction projects are bid based on an anticipated increase in the pay of their workers each July 1<sup>st</sup> in accordance with the changes in the prevailing wage rates.

The bill requires the commissioner of DOL to provide updated prevailing wage rates to these contractors each year. The labor commissioner can provide current prevailing wage information and contribution rates to contractors without incurring a fiscal impact.

**OLR Bill Analysis**

sSB 63

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

This bill requires contractors awarded contracts on and after October 1, 2003, for state and municipal prevailing wage projects to adjust wage and benefit contributions 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 contract to find out the current prevailing wage and contribution rates.

EFFECTIVE DATE: October 1, 2002

**BACKGROUND*****Prevailing Wage Law***

The state prevailing wage law requires contractors on state highway projects and 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.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Change of Reference

Yea 12 Nay 1

Government Administration and Elections Committee

Joint Favorable Change of Reference

Yea 16 Nay 0

Planning and Development Committee

Joint Favorable Report

Yea 15 Nay 2