

**Barbara Henry
First Selectman
Town of Roxbury
Labor & Public Employees Committee
Of the Connecticut General Assembly
March 10, 2011**

As the First Selectman of the Town of Roxbury, I urge strongly urge you to support SB-990 - **AN ACT CONCERNING THE PREVAILING RATE OF WAGES.**

The prevailing wage threshold for new construction projects and renovation projects should be increased. Although I believe the threshold should be \$1 million, by doubling the current thresholds, SB-990 is a good compromise.

The prevailing wage threshold should be increased for the following reasons:

- **The prevailing wage mandate results in significantly higher costs for state and local projects. These costs have been estimated to be as high as 30% under one study. Attached is a list of studies that have been conducted on this issue – all of which conclude that prevailing wage laws significantly increase costs for towns as well as the state and most certainly for taxpayers.**
- *The prevailing wage thresholds have not been adjusted since 1991. Prior to 1991, legislators adjusted prevailing wage thresholds on a six-year schedule, recognizing that they needed to keep pace with inflation. Failure to adjust the threshold for prevailing wage projects has cost the towns millions of dollars.*
- **Towns are under severe economic pressure due to cuts in municipal aid. Local budgets are being rejected by taxpayers and towns are struggling to provide programs and services mandated by state and federal laws. Given these financial pressures, prevailing wage costs are making it difficult if not impossible for towns to build new ball fields, parks, schools, senior centers and other critical town projects that could benefit the quality of life in Connecticut.**
- *The prevailing wage mandate hurts small businesses – the very businesses that Connecticut must look to as its engines of economic growth. Small contractors simply can't afford to compete on projects subject to prevailing wage requirements. As a result, they can't expand their businesses and create new jobs.*
- **The proposed thresholds are more in line with current construction costs which have increased dramatically since the \$400,000 and \$100,000 thresholds were established. A \$400,000 construction project or \$100,000 renovation in today's market is a very small project.**
- *Increasing the threshold for new projects and renovations as called for in SB-990 is a reasonable change that will benefit the state's small employers as well as the taxpayers.*

State Prevailing Wage Information*

Thieblot Study on State Prevailing Wage Laws 1995

This publication provides in-depth analysis on state prevailing wage laws. You will find which states have prevailing wage laws and which states have repealed them. The assessment bases for states with prevailing wage laws and finally an examination of reform possibilities.

Michigan Prevailing Wage Costs Taxpayers \$250 Million Annually, Reduces Construction Jobs, Primarily Benefits High-Wage Construction Workers (2007)

A study by the Mackinac Center for Public Policy estimates that Michigan's prevailing wage law, which requires union wages to be paid on state construction projects, costs state taxpayers about \$250 million per year. The main effect of this extra cost is to boost the wages of construction workers, most of whom earn compensation well above the average for Michigan residents, according to the study. Michigan's prevailing wage law also appears to decrease the number of construction jobs in the state.

The study also found that because state guarantees on school district construction bonds trigger prevailing wage requirements, the prevailing wage law also applies to most public school construction. Exempting public school districts alone from the law's requirements would likely save state taxpayers around \$125 million annually.

Study Finds Minnesota's Prevailing Wage Calculation Methods Further Increase Cost of Public Construction (2005)

A new study conducted by the Minnesota Taxpayers Association (MTA) found that the state's method for calculating prevailing wage rates on public construction increased project costs between 7 and 10 percent. Currently, the state of Minnesota, as well as the state of California, use a "modal" calculation, where the rate that is most frequently reported in a survey is designated as the "prevailing" wage.

According to the study, Minnesota's modal method of calculating the prevailing wage rate increases the likelihood that large-scale, collectively bargained wage rates become the prevailing wage, because these rates tend to be uniform within a specific job class. The study found that in 26 of the 32 counties where state building projects were located, federal prevailing wage rates were set entirely from union rates.

MTA examined 34 school district construction projects, 57 state building projects and 247 state transportation projects, with total project costs of more than \$1.7 billion, concluding that "Minnesota would have experienced estimated savings of \$126 million to \$171 million...of total project costs in 2002 if the state had substituted...median wage rates for current state prevailing wage rates."

California Study Reveals Wide Disparities Between Market Wages and Prevailing Wage Rates

An August 2003 study from the California Institute for County Government at California State University, Sacramento shows that federal commercial prevailing wage rates and state prevailing wage rates in California are on average 36 percent to 55 percent higher than market wages.

The study, *An Analysis of Market and Prevailing Wage Rates for the Construction Trades in California*, compares market wages to commercial and residential Davis-Bacon federal prevailing wage rates and state prevailing wage rates on a county-by-county basis for five trades: electricians, carpenters, drywall installers, HVAC/sheet metal workers, and plumbers. Maps included with the study show that as a general rule the disparity between government-imposed rates and market wages increases as the distance increases between a county and the California Department of Industrial Relations headquarters in San Francisco. The California Institute for County Government is a nonpartisan public policy institute that is a joint program of the California State Association of Counties, the California State University system, and California State University at Sacramento.

(Updated 11/14 version of the 1995 study)

The Effects of Prevailing Wage Requirements on the Cost of Low-Income Housing (2003)

A working paper released in September 2003 by the Program on Housing and Urban Policy at the University of California, Berkeley presents new evidence on the increased costs of prevailing wage laws on construction. "The Effects of Prevailing Wage Requirements on the Cost of Low-Income Housing" estimates that new prevailing wage requirements signed into law by now-recalled Governor Gray Davis in 2001 increased costs on state-subsidized low-income housing in California between 9 and 32 percent under the most credible statistical models. According to the paper, under reasonable conditions, the authors' mid-range estimate of the prospective decrease in dwellings in California subsidized by tax credits alone exceeds \$2,600 per year.

The U.C. Berkeley study conclusions are consistent with a June 2004 study from the California Institute for County Government at California State University, Sacramento showing that the expansion of prevailing wage coverage in California to affordable housing increased the cost of that housing by an average of 11 percent. See *Impact of Prevailing Wage Rate Requirements on The Costs of Affordable Housing In California*.

The Effects of the Exemption of School Construction Projects from Ohio's Prevailing Wage Laws (2002)

The Legislative Bureau of the Ohio Legislature determined that rescinding prevailing wage requirements for school construction saved \$487.9 million in aggregate school construction during the post-examination period, an overall savings of 10.7%. This study provides background information and evaluates the amount of money saved by school districts and education service centers due to the exemption, the impact of the exemption on the quality of school building construction, the impact of the exemption on the ways of construction of public school buildings, and summarizes the findings and discusses the limitations. This publication is a report of the research staff of the Legislative Service Commission, published May 20, 2002. [Click here for more information \(and studies\) on Davis' Bacon Act School Construction.](#)

Kentucky Prevailing Wage Study (2001)

In May of 2001 the Program Review and Investigations Committee authorized a study of Kentucky's prevailing wage law. The committee staff suggested changes to the prevailing wage laws so that they would more accurately reflect local wages.

***Information obtained from www.abc.org**