

LEGISLATIVE COMMITTEE MINUTES

SB271

Bill as Introduced

SB 271-FN-LOCAL - AS INTRODUCED

2019 SESSION

19-0989
05/04

SENATE BILL ***271-FN-LOCAL***

AN ACT relative to requiring prevailing wages on state-funded public works projects.

SPONSORS: Sen. Feltes, Dist 15; Sen. Cavanaugh, Dist 16; Sen. Fuller Clark, Dist 21; Sen. Hennessey, Dist 5; Sen. Levesque, Dist 12; Sen. Rosenwald, Dist 13; Sen. Soucy, Dist 18; Sen. Watters, Dist 4; Rep. Merner, Coos 7; Rep. Ley, Ches. 9; Rep. Cushing, Rock. 21

COMMITTEE: Commerce

ANALYSIS

This bill requires certain workers employed in the construction of public works in the state of New Hampshire to be paid the prevailing minimum hourly wage and benefits.

Explanation: Matter added to current law appears in ***bold italics***.
 Matter removed from current law appears [~~in brackets and struck through~~].
 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Nineteen

AN ACT relative to requiring prevailing wages on state-funded public works projects.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 New Chapter; Prevailing Wage on State-Funded Public Works Projects. Amend RSA by
2 inserting after chapter 280 the following new chapter:

3 CHAPTER 280-A

4 PREVAILING WAGE ON STATE-FUNDED PUBLIC WORKS PROJECTS

5 280-A:1 Definitions. In this chapter:

6 I. "Authorizing agency" means the state of New Hampshire or any state agency, officer,
7 board, commission, or designated agent of the state of New Hampshire with the authority to award
8 a public works construction contract to a qualified bidder, or authorized to administer the execution
9 of a public works construction contract awarded to a qualified bidder.

10 II. "Commissioner" means the labor commissioner.

11 III. "Contractor" means the prime or general construction contractor awarded a contract by
12 the state of New Hampshire or its agencies, boards, commissions, or an authorized agent for the
13 construction of a public works project.

14 IV. "Construction" means construction, demolition, deconstruction, reconstruction,
15 restoration, improvement, enlargement, alteration, painting and decorating, landscaping, or major
16 repair, where the cost of all labor and material meets or exceeds the threshold for executive council
17 approval.

18 V. "County" means the county where the physical work upon the public works is performed.

19 VI. "Department" means the department of labor.

20 VII. "Employer-provided benefits" means any employee health, welfare, pension, or similar
21 bona fide employee benefit plans to which an employer contributes funds as part of a total
22 compensation package.

23 VIII. "Hiring agent" means any temporary service agency, day-labor hiring agent, or
24 temporary staffing company that employs workers on behalf of a contractor or subcontractor
25 performing work on a public works construction project.

26 IX. "Locality" means a specific county or a specific group of counties or county sub-divisions
27 in the same geographic area of the state as determined by administrative regulation of the labor
28 department.

29 X. "Public works" means all works constructed for public use, whether or not done under
30 public supervision, paid for wholly or in part out of public revenues of the state of New Hampshire,
31 or by grants or public funds awarded directly to the state or its agencies for the construction,

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1 demolition, deconstruction, reconstruction, restoration, improvement, enlargement, alteration,
2 painting and decorating, landscaping, or major repair of any public work or building.

3 XI. "State entity" means the state of New Hampshire or any agency, officer, board,
4 commission, or authorized agent of the state.

5 XII. "Subcontractor" means a construction contractor hired by the prime contractor to
6 execute work on a public works construction project.

7 XIII. "Worker" means a laborer, mechanic, or worker in a construction-related occupation
8 who is hired to perform labor or services on a public works construction project.

9 280-A:2 Payment Required.

10 I. All workers employed by or on behalf of any contractor, subcontractor, or hiring agent
11 engaged in the construction of public works for the state of New Hampshire or any agency, officer,
12 board, commission, or authorized agent of the state shall be paid a wage of not less than the
13 minimum prevailing hourly rate of wages and benefits for work of a similar character in the county
14 in which the work is performed.

15 II. This chapter shall only apply to public works construction projects funded wholly or in
16 part by public revenues of the state of New Hampshire, or by grants and public funds awarded
17 directly to the state or its agencies for the construction of public works, for which the cost of all
18 labor and material meets or exceeds the threshold for executive council approval of the relevant
19 state contract.

20 III. Nothing in this chapter shall be construed to prohibit the payment to any worker
21 employed on any public works construction project more than the prevailing rate of wages and
22 benefits.

23 280-A:3 Exemptions.

24 I. This chapter shall not apply to workers who are employed on public works construction
25 projects for county or municipal bodies, or any political subdivision or the agencies thereof, unless
26 such a public works construction project is funded wholly or in part with state-administered funds
27 that meet or exceed the threshold for executive council approval for the relevant state contract.

28 II. Special pay rates for apprentices shall only apply when the apprentices are registered in
29 a recognized management-labor apprenticeship training program.

30 280-A:4 Determination and Application of Prevailing Wage Rates.

31 I. The minimum prevailing hourly rate of wages and benefits for any class of workers
32 employed on a public works construction project subject to this chapter shall be the rate set forth by
33 the most recent wage determination issued by the United States Department of Labor for the
34 corresponding class of workers, for the New Hampshire county in which such public works
35 construction project shall take place, as made available by the United States Department of Labor
36 on the department's website or wherever the United States Department of Labor may make
37 available such wage determination.

38 II. The department may assist state agencies in obtaining the applicable wage

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1 determination from the United States Department of Labor.

2 III. Any contractor or subcontractor employing workers on a construction project subject to
3 this chapter who pays into a health, welfare, pension, or other bona fide paid benefit plan for
4 workers he or she employs on a public works construction project under this chapter, shall be
5 credited for the amount of the employer contribution to employer-provided benefits, calculated as an
6 hourly rate for corresponding classes of workers.

7 IV. Any contractor, subcontractor, or hiring agent employing workers on a construction
8 project subject to this chapter, who does not pay into employer-provided benefit plans for workers
9 he or she employs on a public works construction project meeting the requirements of this chapter,
10 shall pay directly to such employees the minimum prevailing hourly wage rate for corresponding
11 classes of workers pursuant to paragraph I, plus the prevailing rate of employer-provided benefits
12 for corresponding classes of workers under paragraph I, calculated as an hourly rate.

13 V. The department may approve a request for an additional wage classification where all
14 interested parties have agreed on the proposed wage classification, or where the department
15 determines a proposed wage classification is reasonable when considering the most comparable
16 existing wage classification.

17 **280-A:5 Wage Rates, Contract Specifications and Stipulations.**

18 I. Contract specifications prepared, to advertise for bidding for public works projects under
19 this chapter shall provide the following information:

20 (a) A schedule of prevailing wage and benefit rates in the county or locality in which the
21 work is to be performed, pursuant to RSA 280-A:4, for each craft or classification of worker needed
22 to execute the contract or project.

23 (b) A stipulation, with a citation to the relevant statute, stating that the state entity, if
24 it is supervising the work, or the contractor to whom the contract is awarded, and any
25 subcontractor or hiring agent under him or her, shall pay not less than the specified minimum rates
26 to all workers employed by them in the execution of the project.

27 (c) A description of the potential fines and penalties for failure to pay the prevailing
28 wage rates stipulated in the contract.

29 II. The state entity awarding the contract shall require in all the contractor's bonds that the
30 contractor include such provisions as will guarantee the faithful performance of the prevailing
31 hourly wage clause as provided in the contract.

32 **280-A:6 Posting of Wage Scale at Worksite.** A prime contractor awarded a contract for a public
33 works construction project under this chapter shall post the prevailing wage rate scale for that
34 project in an accessible and prominent location at the worksite where it may be freely seen and
35 inspected by all workers employed on the project site, for the life of the contract.

36 **280-A:7 Required Records and Reporting.**

37 I. Every contractor, subcontractor, and hiring agent employing workers on a public works
38 construction project under this chapter shall file weekly certified payroll reports with the state

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1 government agency, board, commission, or authorized agent awarding, or responsible for
2 administration of, the construction contract.

3 II. The commissioner shall furnish electronic and paper versions of a standard reporting
4 form for use by employers in filing the certified payroll reports under paragraph I. The
5 commissioner shall, at his or her discretion, review and modify the reporting form as he or she
6 deems necessary for facilitating the ease and accuracy of reporting.

7 III. Every contractor, subcontractor, or hiring agent employing workers on a public works
8 construction project under this chapter shall keep a true and accurate weekly register of all workers
9 employed on such project, which shall include:

10 (a) The dates of the first and last days covered by the reporting period.

11 (b) The project name or project identification number of the public works construction
12 project on which the reported workers are employed.

13 (c) The name, business address, phone number, and employer identification number of
14 the employer.

15 (d) The name, address, and occupational classification of each worker employed on the
16 project.

17 (e) The dates each employee worked on the project, and the total number of hours
18 worked on each date.

19 (f) The hourly rate of wages paid to each worker.

20 (g) Whether or not a worker receives employer-provided benefits as defined in RSA 280-
21 A:3, VII.

22 (h) The signature of the employer or the employer's authorized representative certifying
23 that the information reported is true and accurate.

24 (i) A direct telephone number, mailing address, and email address for the employer or
25 the employer's authorized agent serving as the signatory in subparagraph (h).

26 IV. Certified weekly payroll reports for public works construction projects under this
27 chapter shall be made available for inspection by the commissioner or a designated representative
28 from the department at any reasonable time and as often as necessary to ascertain compliance and
29 identify the need for adjustments.

30 V. Certified weekly payroll reports for the preceding week shall be delivered or transmitted
31 to the authorizing state agency, or to an authorized recipient or repository designated by the
32 authorizing agency, not less than 2 times every calendar month or at the interval established in the
33 contract or by written agreement with the authorizing agent.

34 VI. All such records and reports shall be kept by the employer for no less than 5 years and
35 thereafter shall be archived as electronic documents for a period of time to be determined by the
36 commissioner.

37 280-A:8 Confidentiality of Payroll Records.

38 I. For all public works construction projects under this chapter, the commissioner may

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1 make records of wages, hours, and occupational classifications of employees available for public
2 inspection, so long as the records are provided in such a manner that redacts all names and
3 personal information that identifies individual employees, pursuant to RSA 91-A, the right-to-know
4 law.

5 II. Private individuals, organizations, businesses, or agencies that wish to inspect the
6 complete records of the original certified payroll reports for a specific public works project shall be
7 granted the right of inspection upon request, pursuant to RSA 91-A, the right-to-know law.

8 280-A:9 Workers Paid Less Than Stipulated Rate.

9 I. Any contractor, subcontractor, or hiring paying less than the established prevailing wage
10 to a worker employed on a public works construction project under this chapter shall be subject to a
11 fine of \$250 per violation. Each day that any contractor, subcontractor, or hiring agent employs a
12 worker for less than the wage and benefit minimum stipulated in the contract shall constitute a
13 separate violation of this section.

14 II. Any worker employed by a contractor, subcontractor, or hiring agent who is paid less
15 than the stipulated rates for the work done under the contract for the same classification of worker,
16 or any interested party, may file a complaint with the department for the difference between the
17 amount paid and the prevailing wage rate required by the contract.

18 III. The commissioner of labor shall readjust wages for employees insofar as it may be
19 necessary in view of the provisions of this chapter.

20 IV. A portion of stipulated contract payments may be withheld from the contractor as
21 considered necessary by the department or authorizing agency for the purpose of compensating
22 workers hired to perform work on a public works construction project under this chapter when such
23 workers were paid less than the minimum prevailing wage stipulated in the contract. The amount
24 withheld shall equal the difference between the rates of wages required by the contract to be paid,
25 and the rates of wages actually paid to affected workers on the project. Funds recovered for wage
26 adjustments through withholding of contract payments shall be paid directly to the affected workers
27 and shall not be refunded to the contractor, subcontractor, or their agents.

28 V. Payment for withholding under this section shall be made on written order by the
29 commissioner directing the administrating agency to release the funds to the department.

30 280-A:10 Penalties.

31 I. Any contractor, subcontractor, hiring agent, or its designated representative who is
32 under contract with the state of New Hampshire or its authorized agent for the execution of a public
33 works construction project under this chapter, who neglects to keep and submit accurate certified
34 payroll records under RSA 280-A:8, or refuses to allow access to the records at any reasonable hour
35 to a person authorized to inspect such records, or knowingly submits false payroll information to the
36 agency administering the execution of the contract shall be subjected to a civil penalty of not less
37 than \$250 and not more than \$2,500 per violation. Each day the violation continues shall, with
38 respect to each employee, constitute a separate offense. In no event shall the civil penalty exceed

1 the amount of the contract or subcontract.

2 II. The commissioner shall determine the amount of any civil penalty under this section.

3 280-A:11 Certain Contractors Ineligible to Bid.

4 I. This section shall apply to any public works construction project funded wholly by public
5 revenues of the state of New Hampshire, or by grants and public funds awarded directly to the state
6 government or its agencies for the construction of public works, irrespective of the estimated total
7 cost of labor and materials on the project.

8 II. Any contractor or subcontractor determined by the department to have violated the
9 provisions of this chapter shall be ineligible to bid on or be awarded any public works contract or
10 perform any construction work for or with the state of New Hampshire or a state agency for a
11 period of 3 years from the date of the final administrative determination.

12 III. Any firm, partnership, corporation, or other entity in which such ineligible contractor is
13 an officer, stockholder, or has financial interests, or supervises and directs work, shall be ineligible
14 to bid on or be awarded any public works contract or perform any construction work for or with the
15 state of New Hampshire or a state agency for a period of 3 years from the date of the final
16 administrative determination.

17 IV. Notwithstanding the provisions of this section, any contractor or subcontractor may
18 complete any work in progress or contract awarded prior to the date of the contractor's or
19 subcontractor's ineligibility, unless a contract has been voided for non-compliance under the terms
20 of such contract.

21 V. The department shall compile and make public a quarterly list which shall include:

22 (a) The names of all contractors and subcontractors which, by final administrative
23 determination, have been found to be in non-compliance with this chapter within the previous 3
24 years as of the date of the list; and

25 (b) The dates on which the latest violations of such contractors occurred.

26 VI. The state government or authorized agency soliciting bids for a public works
27 construction contract shall hold ineligible to bid or to perform any construction work on a public
28 works project any contractor or subcontractor determined to be disqualified for reasons of
29 noncompliance under this chapter.

30 VII. Any public works construction contract awarded to an ineligible contractor, or on
31 which an ineligible subcontractor performs any work, may be declared in default by the state of
32 New Hampshire or the authorizing agency.

33 VIII. The authorizing agency may require the bonding company or the general contractor to
34 furnish a replacement contractor at no additional cost to the state, within 30 days of the notice of
35 default.

36 2 Effective Date. This act shall take effect 60 days after its passage.

**SB 271-FN-LOCAL- FISCAL NOTE
AS INTRODUCED**

AN ACT relative to requiring prevailing wages on state-funded public works projects.

FISCAL IMPACT: State County Local None

STATE:	Estimated Increase / (Decrease)			
	FY 2020	FY 2021	FY 2022	FY 2023
Appropriation	\$0	\$0	\$0	\$0
Revenue	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
Expenditures	Potential Increase of \$83,000+	Potential Increase of \$84,000+	Potential Increase of \$88,000+	Potential Increase of \$89,000+
Funding Source:	<input checked="" type="checkbox"/> General <input type="checkbox"/> Education <input checked="" type="checkbox"/> Highway <input checked="" type="checkbox"/> Other - RSA 273:1-b (Department of Labor restricted fund)			

METHODOLOGY:

This bill requires certain workers employed in the construction of public works projects in the state of New Hampshire to be paid the prevailing minimum hourly wage and benefits.

The Department of Transportation assumes it would be responsible for compliance with the prevailing wage requirement for its own projects and not those managed by the Department of Administrative Services. The Department indicates the bill would increase its oversight responsibilities for active construction field audits by approximately 33%. The current workload for federal projects is performed by one full-time and one temporary part-time Compliance Officer. The Department has the necessary processes, procedures and training in place to handle state-aid prevailing wage duties. The Department state it would need an additional full-time compliance officer at a cost of \$83,000 in FY 2020, \$84,000 in FY 2021, \$88,000 in FY 2022 and \$89,000 in FY 2023. The Department indicates many contractors on federal projects are currently paying higher than the minimum prevailing Davis Bacon wage decision rates. The Department assumes the additional costs would be funded by general funds and highway funds.

The Department of Administrative Services, Division of Public Works indicates the bill would require contractors awarded State-funded construction projects to pay prevailing wages. Contractors would be required to submit regular payroll reports to the authorizing state agency. The Division indicates, because the compliance and reporting requirements would be performed by the Department of Labor, there would not be a significant increase in expenditures.

The Department of Labor indicates it is possible there could be an increase in revenue from fees and fines, but it is not possible estimate potential revenue from prospective penalties. The revenue, if any would be deposited in the Department's restricted fund established in RSA 273:1-b to pay for the costs of operating the Department. The Department assumes the need for additional resources would depend on the volume of projects covered and the number of additional requests for additional or enhanced wage classifications received by the Department.

AGENCIES CONTACTED:

Departments of Transportation, Administrative Services and Labor

SB 271-FN-LOCAL - FINAL VERSION

03/14/2019 0873s

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SENATE BILL ***271-FN-LOCAL***

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COMMITTEE: Commerce

ANALYSIS

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Explanation: Matter added to current law appears in ***bold italics***.
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STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Nineteen

AN ACT relative to requiring prevailing wages on state-funded public works projects.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 New Chapter; Prevailing Wage on State-Funded Public Works Projects. Amend RSA by
2 inserting after chapter 280 the following new chapter:

3 CHAPTER 280-A

4 PREVAILING WAGE ON STATE-FUNDED PUBLIC WORKS PROJECTS

5 280-A:1 Definitions. In this chapter:

6 I. "Authorizing agency" means the state of New Hampshire or any state agency, officer,
7 board, commission, or designated agent of the state of New Hampshire with the authority to award a
8 public works construction contract to a qualified bidder, or authorized to administer the execution of
9 a public works construction contract awarded to a qualified bidder.

10 II. "Commissioner" means the labor commissioner.

11 III. "Contractor" means the prime or general construction contractor awarded a contract by
12 the state of New Hampshire or its agencies, boards, commissions, or an authorized agent for the
13 construction of a public works project.

14 IV. "Construction" means construction, demolition, deconstruction, reconstruction,
15 restoration, improvement, enlargement, alteration, painting and decorating, landscaping, or major
16 repair, where the cost of all labor and material meets or exceeds the threshold for executive council
17 approval.

18 V. "County" means the county where the physical work upon the public works is performed.

19 VI. "Department" means the department of labor.

20 VII. "Employer-provided benefits" means any employee health, welfare, pension, or similar
21 bona fide employee benefit plans to which an employer contributes funds as part of a total
22 compensation package.

23 VIII. "Hiring agent" means any temporary service agency, day-labor hiring agent, or
24 temporary staffing company that employs workers on behalf of a contractor or subcontractor
25 performing work on a public works construction project.

26 IX. "Locality" means a specific county or a specific group of counties or county sub-divisions
27 in the same geographic area of the state as determined by administrative regulation of the labor
28 department.

29 X. "Public works" means all works constructed for public use, whether or not done under
30 public supervision, paid for wholly or in part out of public revenues of the state of New Hampshire,
31 or by grants or public funds awarded directly to the state or its agencies for the construction,

1 demolition, deconstruction, reconstruction, restoration, improvement, enlargement, alteration,
2 painting and decorating, landscaping, or major repair of any public work or building.

3 XI. "State entity" means the state of New Hampshire or any agency, officer, board,
4 commission, or authorized agent of the state.

5 XII. "Subcontractor" means a construction contractor hired by the prime contractor to
6 execute work on a public works construction project.

7 XIII. "Worker" means a laborer, mechanic, or worker in a construction-related occupation
8 who is hired to perform labor or services on a public works construction project.

9 280-A:2 Payment Required.

10 I. All workers employed by or on behalf of any contractor, subcontractor, or hiring agent
11 engaged in the construction of public works for the state of New Hampshire or any agency, officer,
12 board, commission, or authorized agent of the state shall be paid a wage of not less than the
13 minimum prevailing hourly rate of wages and benefits for work of a similar character in the county
14 in which the work is performed.

15 II. This chapter shall only apply to public works construction projects funded wholly or in
16 part by public revenues of the state of New Hampshire, or by grants and public funds awarded
17 directly to the state or its agencies for the construction of public works, for which the cost of all labor
18 and material meets or exceeds the threshold for executive council approval of the relevant state
19 contract.

20 III. Nothing in this chapter shall be construed to prohibit the payment to any worker
21 employed on any public works construction project more than the prevailing rate of wages and
22 benefits.

23 280-A:3 Exemptions.

24 I. This chapter shall not apply to workers who are employed on public works construction
25 projects for county or municipal bodies, or any political subdivision or the agencies thereof, unless
26 such a public works construction project is funded wholly or in part with state-administered funds
27 that meet or exceed the threshold for executive council approval for the relevant state contract.

28 II. Special pay rates for apprentices shall only apply when the apprentices are registered in
29 a recognized management-labor apprenticeship training program.

30 280-A:4 Determination and Application of Prevailing Wage Rates.

31 I. The minimum prevailing hourly rate of wages and benefits for any class of workers
32 employed on a public works construction project subject to this chapter shall be the rate set forth by
33 the most recent wage determination issued by the United States Department of Labor for the
34 corresponding class of workers, for the New Hampshire county in which such public works
35 construction project shall take place, as made available by the United States Department of Labor
36 on the department's website or wherever the United States Department of Labor may make
37 available such wage determination.

1 II. The department may assist state agencies in obtaining the applicable wage
2 determination from the United States Department of Labor.

3 III. Any contractor or subcontractor employing workers on a construction project subject to
4 this chapter who pays into a health, welfare, pension, or other bona fide paid benefit plan for
5 workers he or she employs on a public works construction project under this chapter, shall be
6 credited for the amount of the employer contribution to employer-provided benefits, calculated as an
7 hourly rate for corresponding classes of workers.

8 IV. Any contractor, subcontractor, or hiring agent employing workers on a construction
9 project subject to this chapter, who does not pay into employer-provided benefit plans for workers he
10 or she employs on a public works construction project meeting the requirements of this chapter, shall
11 pay directly to such employees the minimum prevailing hourly wage rate for corresponding classes of
12 workers pursuant to paragraph I, plus the prevailing rate of employer-provided benefits for
13 corresponding classes of workers under paragraph I, calculated as an hourly rate.

14 V. The department may approve a request for an additional wage classification where all
15 interested parties have agreed on the proposed wage classification, or where the department
16 determines a proposed wage classification is reasonable when considering the most comparable
17 existing wage classification.

18 280-A:5 Wage Rates, Contract Specifications and Stipulations.

19 I. Contract specifications prepared, to advertise for bidding for public works projects under
20 this chapter shall provide the following information:

21 (a) A schedule of prevailing wage and benefit rates in the county or locality in which the
22 work is to be performed, pursuant to RSA 280-A:4, for each craft or classification of worker needed to
23 execute the contract or project.

24 (b) A stipulation, with a citation to the relevant statute, stating that the state entity, if it
25 is supervising the work, or the contractor to whom the contract is awarded, and any subcontractor or
26 hiring agent under him or her, shall pay not less than the specified minimum rates to all workers
27 employed by them in the execution of the project.

28 (c) A description of the potential fines and penalties for failure to pay the prevailing
29 wage rates stipulated in the contract.

30 II. The state entity awarding the contract shall require in all the contractor's bonds that the
31 contractor include such provisions as will guarantee the faithful performance of the prevailing
32 hourly wage clause as provided in the contract.

33 280-A:6 Posting of Wage Scale at Worksite. A prime contractor awarded a contract for a public
34 works construction project under this chapter shall post the prevailing wage rate scale for that
35 project in an accessible and prominent location at the worksite where it may be freely seen and
36 inspected by all workers employed on the project site, for the life of the contract.

37 280-A:7 Required Records and Reporting.

1 I. Every contractor, subcontractor, and hiring agent employing workers on a public works
2 construction project under this chapter shall file weekly certified payroll reports with the state
3 government agency, board, commission, or authorized agent awarding, or responsible for
4 administration of, the construction contract.

5 II. The commissioner shall furnish electronic and paper versions of a standard reporting
6 form for use by employers in filing the certified payroll reports under paragraph I. The
7 commissioner shall, at his or her discretion, review and modify the reporting form as he or she
8 deems necessary for facilitating the ease and accuracy of reporting.

9 III. Every contractor, subcontractor, or hiring agent employing workers on a public works
10 construction project under this chapter shall keep a true and accurate weekly register of all workers
11 employed on such project, which shall include:

12 (a) The dates of the first and last days covered by the reporting period.

13 (b) The project name or project identification number of the public works construction
14 project on which the reported workers are employed.

15 (c) The name, business address, phone number, and employer identification number of
16 the employer.

17 (d) The name, address, and occupational classification of each worker employed on the
18 project.

19 (e) The dates each employee worked on the project, and the total number of hours
20 worked on each date.

21 (f) The hourly rate of wages paid to each worker.

22 (g) Whether or not a worker receives employer-provided benefits as defined in RSA 280-
23 A:1, VII.

24 (h) The signature of the employer or the employer's authorized representative certifying
25 that the information reported is true and accurate.

26 (i) A direct telephone number, mailing address, and email address for the employer or
27 the employer's authorized agent serving as the signatory in subparagraph (h).

28 IV. Certified weekly payroll reports for public works construction projects under this chapter
29 shall be made available for inspection by the commissioner or a designated representative from the
30 department at any reasonable time and as often as necessary to ascertain compliance and identify
31 the need for adjustments.

32 V. Certified weekly payroll reports for the preceding week shall be delivered or transmitted
33 to the authorizing state agency, or to an authorized recipient or repository designated by the
34 authorizing agency, not less than 2 times every calendar month or at the interval established in the
35 contract or by written agreement with the authorizing agent.

1 VI. All such records and reports shall be kept by the employer for no less than 5 years and
2 thereafter shall be archived as electronic documents for a period of time to be determined by the
3 commissioner.

4 280-A:8 Confidentiality of Payroll Records.

5 I. For all public works construction projects under this chapter, the commissioner may make
6 records of wages, hours, and occupational classifications of employees available for public inspection,
7 so long as the records are provided in such a manner that redacts all names and personal
8 information that identifies individual employees, pursuant to RSA 91-A, the right-to-know law.

9 II. Private individuals, organizations, businesses, or agencies that wish to inspect the
10 complete records of the original certified payroll reports for a specific public works project shall be
11 granted the right of inspection upon request, pursuant to RSA 91-A, the right-to-know law.

12 280-A:9 Workers Paid Less Than Stipulated Rate.

13 I. Any contractor, subcontractor, or hiring paying less than the established prevailing wage
14 to a worker employed on a public works construction project under this chapter shall be subject to a
15 fine of \$250 per violation. Each day that any contractor, subcontractor, or hiring agent employs a
16 worker for less than the wage and benefit minimum stipulated in the contract shall constitute a
17 separate violation of this section.

18 II. Any worker employed by a contractor, subcontractor, or hiring agent who is paid less
19 than the stipulated rates for the work done under the contract for the same classification of worker,
20 or any interested party, may file a complaint with the department for the difference between the
21 amount paid and the prevailing wage rate required by the contract.

22 III. The commissioner of labor shall readjust wages for employees insofar as it may be
23 necessary in view of the provisions of this chapter.

24 IV. A portion of stipulated contract payments may be withheld from the contractor as
25 considered necessary by the department or authorizing agency for the purpose of compensating
26 workers hired to perform work on a public works construction project under this chapter when such
27 workers were paid less than the minimum prevailing wage stipulated in the contract. The amount
28 withheld shall equal the difference between the rates of wages required by the contract to be paid,
29 and the rates of wages actually paid to affected workers on the project. Funds recovered for wage
30 adjustments through withholding of contract payments shall be paid directly to the affected workers
31 and shall not be refunded to the contractor, subcontractor, or their agents.

32 V. Payment for withholding under this section shall be made on written order by the
33 commissioner directing the administrating agency to release the funds to the department.

34 280-A:10 Penalties.

35 I. Any contractor, subcontractor, hiring agent, or its designated representative who is under
36 contract with the state of New Hampshire or its authorized agent for the execution of a public works
37 construction project under this chapter, who neglects to keep and submit accurate certified payroll

1 records under RSA 280-A:8, or refuses to allow access to the records at any reasonable hour to a
2 person authorized to inspect such records, or knowingly submits false payroll information to the
3 agency administering the execution of the contract shall be subjected to a civil penalty of not less
4 than \$250 and not more than \$2,500 per violation. Each day the violation continues shall, with
5 respect to each employee, constitute a separate offense. In no event shall the civil penalty exceed the
6 amount of the contract or subcontract.

7 II. The commissioner shall determine the amount of any civil penalty under this section.

8 280-A:11' Certain Contractors Ineligible to Bid.

9 I. This section shall apply to any public works construction project funded wholly by public
10 revenues of the state of New Hampshire, or by grants and public funds awarded directly to the state
11 government or its agencies for the construction of public works, irrespective of the estimated total
12 cost of labor and materials on the project.

13 II. Any contractor or subcontractor determined by the department to have violated the
14 provisions of this chapter shall be ineligible to bid on or be awarded any public works contract or
15 perform any construction work for or with the state of New Hampshire or a state agency for a period
16 of 3 years from the date of the final administrative determination.

17 III. Any firm, partnership, corporation, or other entity in which such ineligible contractor is
18 an officer, stockholder, or has financial interests, or supervises and directs work, shall be ineligible
19 to bid on or be awarded any public works contract or perform any construction work for or with the
20 state of New Hampshire or a state agency for a period of 3 years from the date of the final
21 administrative determination.

22 IV. Notwithstanding the provisions of this section, any contractor or subcontractor may
23 complete any work in progress or contract awarded prior to the date of the contractor's or
24 subcontractor's ineligibility, unless a contract has been voided for non-compliance under the terms of
25 such contract.

26 V. The department shall compile and make public a quarterly list which shall include:

27 (a) The names of all contractors and subcontractors which, by final administrative
28 determination, have been found to be in non-compliance with this chapter within the previous 3
29 years as of the date of the list; and

30 (b) The dates on which the latest violations of such contractors occurred.

31 VI. The state government or authorized agency soliciting bids for a public works
32 construction contract shall hold ineligible to bid or to perform any construction work on a public
33 works project any contractor or subcontractor determined to be disqualified for reasons of
34 noncompliance under this chapter.

35 VII. Any public works construction contract awarded to an ineligible contractor, or on which
36 an ineligible subcontractor performs any work, may be declared in default by the state of New
37 Hampshire or the authorizing agency.

SB 271-FN-LOCAL - FINAL VERSION

- Page 7 -

1 VIII. The authorizing agency may require the bonding company or the general contractor to
2 furnish a replacement contractor at no additional cost to the state, within 30 days of the notice of
3 default.

4 2 Effective Date. This act shall take effect 60 days after its passage.

5

6 VETOED July 19, 2019 -- Veto Sustained September 19, 2019

7

SB 271-FN-LOCAL- FISCAL NOTE
AS AMENDED BY THE SENATE (AMENDMENT #2019-0873s)

AN ACT relative to requiring prevailing wages on state-funded public works projects.

FISCAL IMPACT: State County Local None

STATE:	Estimated Increase / (Decrease)			
	FY 2020	FY 2021	FY 2022	FY 2023
Appropriation	\$0	\$0	\$0	\$0
Revenue	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase	Indeterminable Increase
Expenditures	Potential Increase of \$83,000+	Potential Increase of \$84,000+	Potential Increase of \$88,000+	Potential Increase of \$89,000+
Funding Source:	<input checked="" type="checkbox"/> General <input type="checkbox"/> Education <input checked="" type="checkbox"/> Highway <input checked="" type="checkbox"/> Other - RSA 273:1-b (Department of Labor restricted fund)			

METHODOLOGY:

This bill requires certain workers employed in the construction of public works projects in the state of New Hampshire to be paid the prevailing minimum hourly wage and benefits.

The Department of Transportation assumes it would be responsible for compliance with the prevailing wage requirement for its own projects and not those managed by the Department of Administrative Services. The Department indicates the bill would increase its oversight responsibilities for active construction field audits by approximately 33%. The current workload for federal projects is performed by one full-time and one temporary part-time Compliance Officer. The Department has the necessary processes, procedures and training in place to handle state-aid prevailing wage duties. The Department states it would need an additional full-time compliance officer at a cost of \$83,000 in FY 2020, \$84,000 in FY 2021, \$88,000 in FY 2022 and \$89,000 in FY 2023. The Department indicates many contractors on federal projects are currently paying higher than the minimum prevailing Davis Bacon wage decision rates. The Department assumes the additional costs would be funded by general funds and highway funds.

The Department of Administrative Services, Division of Public Works indicates the bill would require contractors awarded State-funded construction projects to pay prevailing wages. Contractors would be required to submit regular payroll reports to the authorizing state agency. The Division indicates, because the compliance and reporting requirements would be performed by the Department of Labor, there would not be a significant increase in expenditures.

The Department of Labor indicates it is possible there could be an increase in revenue from fees and fines, but it is not possible estimate potential revenue from prospective penalties. The revenue, if any would be deposited in the Department's restricted fund established in RSA 273:1-b to pay for the costs of operating the Department. The Department assumes the need for additional resources would depend on the volume of projects covered and the number of additional requests for additional or enhanced wage classifications received by the Department.

AGENCIES CONTACTED:

Departments of Transportation, Administrative Services and Labor

**SB 271-FN-LOCAL FISCAL NOTE
AS AMENDED BY THE SENATE (AMENDMENT #2019-0873s)**

AN ACT relative to requiring prevailing wages on state-funded public works projects.

FISCAL IMPACT: State County Local None

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AGENCIES CONTACTED:

Departments of Transportation, Administrative Services and Labor

Amendments

Commerce
March 6, 2019
2019-0873s
05/04

Amendment to SB 271-FN-LOCAL

1 Amend RSA 280-A:7, III(g) as inserted by section 1 of the bill by replacing it with the following:

2

3 (g) Whether or not a worker receives employer-provided benefits as defined in RSA 280-

4 A:1, VII.

Committee Minutes

SENATE CALENDAR NOTICE
Commerce

Sen Kevin Cavanaugh, Chair
Sen Jon Morgan, Vice Chair
Sen Donna Soucy, Member
Sen Chuck Morse, Member
Sen Harold French, Member

Date: February 6, 2019

HEARINGS

Tuesday	02/12/2019	
(Day)	(Date)	
Commerce	SH 100	1:00 p.m.
(Name of Committee)	(Place)	(Time)
1:00 p.m.	SB 271-FN-LOCAL	relative to requiring prevailing wages on state-funded public works projects.
1:15 p.m.	SB 62	relative to temporary layoffs of certain seasonal workers and establishing a commission to study school bus driver background checks.
1:30 p.m.	SB 197	relative to noncompete agreements for low-wage employees.
1:45 p.m.	SB 60	relative to advance notice to hourly employees of work schedules.
2:00 p.m.	SB 147	relative to adoption of the Uniform Fiduciary Access to Digital Assets Act.
2:15 p.m.	SB 149	relative to voluntary application of the uniform prudent management of institutional funds act to certain charitable trusts.

EXECUTIVE SESSION MAY FOLLOW

Sponsors:

SB 271-FN-LOCAL

Sen. Feltes
Sen. Levesque
Rep. Merner

Sen. Cavanaugh
Sen. Rosenwald
Rep. Ley

Sen. Fuller Clark
Sen. Soucy
Rep. Cushing

Sen. Hennessey
Sen. Watters

SB 62

Sen. Soucy
Sen. Cavanaugh
Rep. Williams

Sen. Hennessey
Sen. Kahn

Sen. Carson
Sen. Watters

Sen. Morgan
Rep. Bartlett

SB 197

Sen. Watters
Sen. Dietsch
Sen. Gray

Sen. Cavanaugh
Sen. Levesque
Sen. Kahn

Sen. Feltes
Sen. Sherman
Rep. Conley

Sen. Hennessey
Sen. Morgan
Rep. Cahill

SB 60

Sen. Fuller Clark

Rep. McBeath

SB 147

Sen. Feltes

Rep. Hunt

SB 149

Sen. Carson

Sen. Feltes

Sen. Morse

Rep. Hunt

Laura Bryant 271-1403

Kevin Cavanaugh
Chairman

Senate Commerce Committee
Laura Bryant 271-1403

SB 271-FN-LOCAL, relative to requiring prevailing wages on state-funded public works projects.

Hearing Date: February 12, 2019

Time Opened: 1:02 p.m.

Time Closed: 2:14 p.m.

Members of the Committee Present: Senators Cavanaugh, Morgan, Soucy, Morse and French

Members of the Committee Absent : None

Bill Analysis: This bill requires certain workers employed in the construction of public works in the state of New Hampshire to be paid the prevailing minimum hourly wage and benefits.

Sponsors:

Sen. Feltes

Sen. Cavanaugh

Sen. Fuller Clark

Sen. Hennessey

Sen. Levesque

Sen. Rosenwald

Sen. Soucy

Sen. Watters

Rep. Merner

Rep. Ley

Rep. Cushing

Who supports the bill: Leonard Delgatt, Michael Sara with BAC 3, Larry Moquin with Laborers, Dick Bouley with Teamsters #633, Jim Cardillo with Laborers, Senator Cindy Rosenwald, Jonathan Mitchell with IBEW 490, Michael Ponce with IBEW, David Pelletier with NH Building Traders, Keith McCrea, Kris Thieme with American Income Life, Rosana Cail, Senator Dan Feltes, Glenn Brackett with NH AFL-CIO

Who opposes the bill: Simon Thomson with Electrical Contractors Business Association, Joshua Reap with ABC-NH, William J Clark, Joseph Campbell with North Branch Construction, Tim Burton with Deco Inc., Carl Wikstrom, Dan McGuire with Granite State Taxpayers,

Who is neutral on the bill: Danielle Albert with NH Department of Labor, Cordell Johnston with NH Municipal Association, Gary Abbott with Association of General Contractors

Summary of testimony presented:

Senator Dan Feltes, District 15:

- Senator Feltes stated that New Hampshire is the only state with out a prevailing wage law and that studies show the passing of this bill will result in a net gain of approximately 1,700 jobs and over \$3 million in economic activity in New Hampshire.
- Senator Feltes noted that this bill will make sure state funded contracts pay prevailing wages and this will increase state and local tax revenues by \$7 million while also lifting low income workers in the trade field out of poverty.
- Senator Feltes stated that this does exempt municipalities and that the top of page 3 describes paid benefit programs.
- Senator Feltes emphasized that this bill will ensure the tax dollars of this state should support the working men and women of this state.
- Senator Feltes mentioned that the fiscal impact of the bill is because the state would need to hire a compliance officer to deal with claims.

Joshua Reap, President of the Association of Building Contractors:

- Reid said that there are myths about prevailing wage, and that unlike federal jobs, contractors pay more than the average wage paid in the community.
- Reid explained that there are multiple studies out there, one is by the GAO and they found that 63% of all wage determinations are set by unions even though only 13% of construction workers are represented by unions.
- Reid mentioned that prevailing wage can be confusing for contractors looking to get into local and state work and it causes administrative challenges for small businesses.
- Reid stated that in total 24 states do not have prevailing wage, he said people are moving here and building here because we don't have a prevailing wage.
- Reid finished with the issue not being about wages but about the fringe packages, that's why many states are getting away from mandating prevailing wage in public work.

William Clark:

- Clark said his company does municipal, state and federal jobs
- He said that there's a cost to this legislation and it will be expensive to follow what's in this bill.

Senator Soucy asked if it was correct to believe that when **Clark** mentioned his employees are paid 20-30 dollars an hour then the fringe cost, if this bill were to pass, would be 20-30 an hour.

- **Clark** agreed with Senator Soucy's statement and said with the bill's passage enacted wages would be about 60 an hour

Senator Morgan asked if today someone were to take a job, there is no bill, what would the pay be.

- **Clark** said the pay is probably about 20-30 an hour.

Joseph Campbell, North Branch Construction:

- Campbell stated that he's been in business for 60 years.
- Campbell said that 30% of the construction managers work represents state funded work and North branch has roughly 65 employees.
- Campbell noted that this bill would have little impact on wages and devastate his business. He mentioned that the fringe is the killer here. He elaborated further with owners are seeing construction costs pile up, this bill slows the process down and increases costs.
- Campbell explained that the less bids they receive on a project the more they must pay.

Tim Burton with Deco Inc.:

- Barton stated that this will add an additional burden onto businesses like his and that they are not in need of more bureaucracy.

Senator Morgan noted that he heard there are two major issues with the bill, the additional regulatory paperwork and the fact that the wages are already paid at the same level as the proposed wages in the bill.

- However, **Senator Morgan** asked if the benefits are similar or if they will be significantly higher because of the bill.
- **Barton** responded that the benefits would be higher under the proposal, however the health insurance program his company offers has zero deductible, and he believes if a company doesn't provide the best benefits they won't get the best workers.
- **Senator Morgan** asked if his company already provides the best benefits then why will this bill cost them more.
- **Barton** responded by saying he can't answer that.
- **Senator Morgan** followed up by asking if they are already providing the same benefits or would his company have to give more benefits under this bill.
- **Barton** responded by saying this bill will require them to provide more benefits.

Dennis Beaudoin with IBEW:

- Beaudoin stated that he believes taxpayer funds should not go to out of state contractors, who often provide lower wages and hire undocumented workers.
- Beaudoin noted that it is governmental malpractice that we aren't keeping our money in state.
- Beaudoin stated that prevailing wage laws are created to protect in state workers and that in 2008 the construction industry lost 9,000 jobs in New Hampshire and only 2,000 of those have been recouped.

David Pelletier with New Hampshire Building Trade:

- Pelletier noted that this bill encourages contractors to have apprenticeship programs to bring more people into the construction industry and encourages contractors to be more efficient in their work.

Dan McGuire with Granite State Taxpayers:

- McGuire stated that GST believe this bill is in the category of rent seeking and views it as an antitrust activity that will raise the cost of construction for the state and could lead to less construction taking place.
- McGuire noted that this is not a good deal for taxpayers and cited a case in Michigan where the prevailing wage law was suspended for a 30-month period and as a result the state saved \$275 million in construction cost.
- McGuire noted Senator Feltes' argument that New Hampshire is the only state in New England that doesn't have a prevailing wage law but brought up the fact that New Hampshire is the only state in New England without an income tax.

Kris Thieme, American Income Life:

- Thieme stated that since 1931, the federal government and many states have enacted prevailing wage laws to protect in-state workers.
- Thieme noted that the idea that wages of construction workers are often the highest construction cost is a myth and that wages only make up about a third of cost and many of these costs are not provided by the public.
- Thieme stated that prevailing wage legislation has been found to be cost saving and that taxpayers pay for these public projects and therefore have a right to know where that money is being spent.

Senator David Starr, District 1:

- Starr opposed the entire concept of this bill and Senator Starr stated that this bill will cause the taxes to raise and will reduce construction.
- Senator Starr stated that in his district, there are more taxpayers than construction workers and this will ultimately penalize his constituents.

Senator Morgan noted that there have been many contractors who testified stating that they already pay these wages.

- **Senator Starr** responded that they probably do, but it is going to cost the tax payers more money while workers are already well paid, he continued that unemployment is under 2% and the benefits are most likely pretty good.

Cordell Johnston with the New Hampshire Municipal Association:

- Johnston stressed the importance for municipalities to be exempt from the bill, and pointed to page 2 lines 24-27.
- He said that the concern of this bill is that the municipalities don't want the language to be misinterpreted.
- Johnston suggested an amendment on line 25, by ending the sentence after the word thereof due to his belief that the state is properly equipped for the administration of this bill but municipalities are not.

Senator French asked how the association would feel if he added language to state municipalities would have to administer this bill and if that were to happen

would the municipalities oppose this bill then.

- **Johnston** responded with yes, they would then oppose this bill.

Gary Abbott, Association General Contractors:

- Abbott noted that he was here in 1985 for the appeal on prevailing wages because it cost municipalities money on projects.
- Abbott stated that most of his contractors pay over the federal wage and he isn't sure about the bills wording regarding following the federal wage rates and if that is legal due to some federal job sites having positions that aren't federally rated.
- Abbott stated that the bill needs to be clear on what state-run means for municipalities because the level of pay county by county vary a lot, so issues will arise.
- Abbott stated that prevailing really means that the union contract becomes the wage rate and when there is an adjustment to the union contract then there is a change to the wage rate.

Senator Morgan asked that it sounds like Abbott has federal workers who take jobs in other states within New England, therefor the contractors are familiar with other state policies such as prevailing wages.

- **Abbott** responded that yes but when they receive surveys they get varying results.
- **Senator Morgan** asked about how Abbott mentioned the differences between union shop and nonunion shop and asked what the general membership Abbott represents.
- **Abbott** responded that he represents a majority of large companies, many employing over 75 workers, and they are in opposition to this bill.

Glenn Brackett, AFL-CIO:

- Brackett stated that this bill is about fairness and that labor unions provide benefits, training, and good wages.

Speakers

Senate Commerce Committee

SIGN-IN SHEET, Public Hearing SB 271-FN-LOCAL

Date: 2/12/19

Time: 1:00 p.m

Name/Representing (please print neatly)

Name/Representing	Support	Oppose	Speaking?	Yes	No
Sen Cindy Rosenwald SD#13	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Jonathan Mitchell IBEW 490	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
✓ Joshua Reap ABC NH	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ William S Clark Turnstar	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ Joseph Campbell North Branch Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ Tim Burton Deco Inc.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MICHAEL PONCE IBEW	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
✓ Denis Beaudoin IBEW	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carl Wikstrom Self Exeter	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Speaking?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
✓ Danielle Albert NHDOL	<input type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ DAVID Pelletier NH Building Trades	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ Dan McGuire Granite State Taxpayers	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ Keith McCrea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
✓ Kris Thieme American Income Life	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ Rosanna Grill	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
✓ Sen. Dan Felton SD#15	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ Cordell Johnston NH Municipal Ass'n	<input type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ Gary Abbott Assoc. Genere/Contractors	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
✓ Glenn Brackett AFL-CIO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Speaking?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Testimony



The Keystone Research Center
412 North Third Street
Harrisburg PA 17101
www.keystoneresearch.org

FOR IMMEDIATE RELEASE

January 14, 2016

MEDIA CONTACTS:

Stephen Herzenberg: 717-805-2318
herzenberg@keystoneresearch.org

Report online at <http://keystoneresearch.org/NHprevailingwage>

New Study: Prevailing Wage Law Would Boost New Hampshire Jobs, the State Economy, and In-State Contractors

Concord – A new study released today by leading national researchers on the construction industry finds that a proposed New Hampshire prevailing wage law would boost the state economy by at least \$300 million, create several thousand jobs, and increase state and local tax revenue by up to \$17 million.

The report, published by the Keystone Research Center (KRC), an independent non-partisan economic policy group, was released in advance of hearings in Concord next week on the proposed prevailing wage law. New Hampshire is the only state in New England and the Northeast that does not have such a law.

The study uses a growing body of peer reviewed research, data from the Economic Census of Construction, and industry-standard IMPLAN software to analyze the impact of prevailing wage standards for skilled construction industry trades on the New Hampshire economy as a whole and on construction workers' wages, benefits and reliance on taxpayer-funded public benefit programs.

"Comparing data from prevailing wage and non-prevailing wage states shows that a prevailing wage law would be a great bargain for New Hampshire taxpayers," said report co-author Kevin Duncan, a Professor of Economics at Colorado State University. "A prevailing wage law would boost productivity, the efficiency of materials use, and worker skills, while enabling more New Hampshire contractors to recapture business from low-wage out-of-state contractors. Every sector of the economy and every part of the state would benefit as the gains for local contractors and construction workers ripple through New Hampshire."

Using conservative assumptions grounded in national and regional data, the study authors find that a prevailing wage law would result in:

- A net gain of 1,710 to nearly 4,000 jobs across all industries, the precise number depending on how much market share is recaptured by in-state contractors once out-of-state contractors can no longer win state business by undercutting local standards;
- An increase in economic activity across all industries of \$298 million to \$681 million;
- An increase in state and local tax revenues in the range of \$7.3 million to \$17 million;

- 2,515 more New Hampshire construction workers receiving health benefits through their jobs and 1,422 more receiving pension benefits; and,
- About 600 fewer construction workers needing public food assistance and another 600 fewer receiving the Earn Income Tax Credit (EITC).

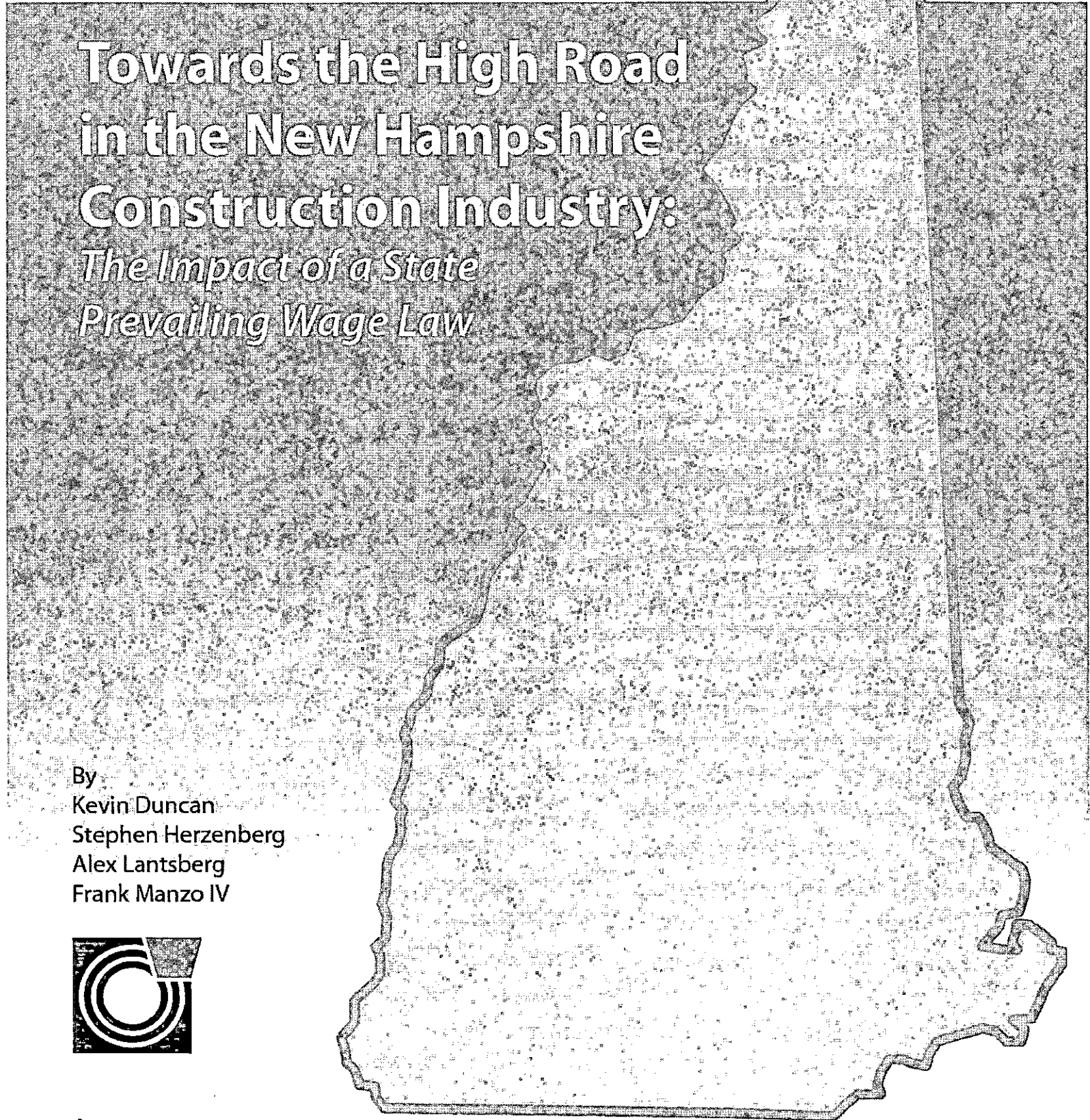
Report co-author Frank Manzo IV of the Illinois Economic Policy Institute noted that, "More economic activity and fewer people working for lower wages translates into less reliance on public assistance programs. Taxpayer savings and additional tax revenue free up resources for tax cuts or more state funding of education and vital public services."

The new study also surveys a growing body of rigorous academic research which finds that these laws do not increase construction costs but do increase productivity, investment in training, safety, and worker experience, as well as wages and benefits.

The report highlights that it is critical to enact a prevailing wage law now because, after shrinking by a quarter from 2006 to 2010, the industry is now poised for significant hiring and faces potential skill shortages. "Will construction contractors expand by rebooting apprenticeship training and taking the high-skill, efficient high road," said report co-author Dr. Stephen Herzenberg, executive director of KRC. "Or will they seek out low-wage, low-skill labor, leading to more loss of market share to out-of-state firms that specialize in tapping vulnerable workers? A prevailing wage law can help ensure that more of the industry takes the high road with benefits for the New Hampshire economy, taxpayers, in-state contractors and construction workers."

"Prevailing wage laws are proven, evidence-based policies that have stood the test of time and the scrutiny of the best economic research," concluded Professor Duncan. "New Hampshire should enact a prevailing wage law to strengthen its economy and its middle class."

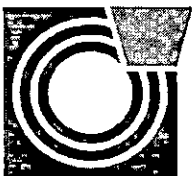
The Keystone Research Center (KRC) (www.keystoneresearch.org) was founded in 1996 to broaden public discussion on strategies to achieve a more prosperous and equitable economy.



Towards the High Road in the New Hampshire Construction Industry:

*The Impact of a State
Prevailing Wage Law*

By
Kevin Duncan
Stephen Herzenberg
Alex Lantsberg
Frank Manzo IV



January 2016

The Keystone Research Center

The Keystone Research Center (KRC) (www.keystoneresearch.org) was founded in 1996 to broaden public discussion on strategies to achieve a more prosperous and equitable economy.

About the Authors

Kevin Duncan, Ph. D. is a Professor of Economics at Colorado State University-Pueblo and will be a visiting scholar at the Institute for Research on Labor and Employment at the University of California, Berkeley in 2016. He has examined the economic impact of prevailing wage laws and their effect on construction costs and productivity, construction worker poverty and reliance on public assistance, and minority employment. Duncan's research on prevailing wage laws has appeared in leading national and international peer-reviewed academic journals such as *Construction Management and Economics* (University of Reading, UK), *Industrial and Labor Relations Review* (Cornell University), and *Industrial Relations* (UC Berkeley). He has authored over 70 peer-reviewed academic papers and applied business and regional reports. He received his Ph. D. in Economics from the University of Utah and his BA in Economics from the University of California, Riverside.

Stephen Herzenberg, Ph.D. has been the Executive Director of KRC since 1996. He earned his Ph.D. in economics from MIT and his BA from Harvard University. He has published widely on economic issues, including the labor market, industry studies (on auto, construction, early childhood education, long-term care and others), workforce and economic development, the service economy, and international labor standards. His publications for national audiences include *Losing Ground in Early Childhood Education* (2006, the Economic Policy Institute), *New Rules for a New Economy: Employment and Opportunity in Postindustrial America*, published by Cornell/ILR Press in 1998, and *U.S.-Mexico Trade*, published by the U.S. Congressional Office of Technology Assessment in 1992. Before joining KRC, Dr. Herzenberg taught at Rutgers University, and worked at the U.S. Congressional Office of Technology Assessment and the U.S. Department of Labor (USDOL). While at USDOL, Dr. Herzenberg served as assistant to the chief negotiator of the labor side agreement to the North American Free Trade Agreement.

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Executive Summary

Prevailing wage policies specify wage and benefit standards for construction projects paid for with public funds. In recent years, these policies have been the subject of vigorous debate in city councils, state legislatures, and the United States Congress. Often missing from the discussion is the broader effect of prevailing wage on the overall economy.

Prevailing wage laws were first established in the 1930s — both federally and in many states — to create a level playing field for all contractors and to protect against public construction projects driving down local wages and benefits in the construction industry. Some states have strong prevailing wage laws, some have no prevailing wage laws, and still others are somewhere in between.

This study poses the following question: “What would be the economic impact of establishing a prevailing wage in the state of New Hampshire?” By protecting local wage rates from market distortions associated with public construction procurement, prevailing wages expand work for local contractors and construction workers. Thus, New Hampshire could expect an increase in the amount of construction work that is completed by in-state contractors with a prevailing wage policy.

Using IMPLAN software — the industry standard in economic impact analysis — along with data from official government data bases (the Census of Construction, Current Population Survey and American Community Survey), the effects of prevailing wage laws were analyzed, and the outcomes were compelling.

Our research concludes that establishing a prevailing wage would have broad positive impacts across the New Hampshire economy. These impacts include:

- A net gain of 1,710 to nearly 4,000 jobs — not just in the construction but across all industries. These jobs would be created on a permanent basis after a phase-in period of a few years. The size of the job gain within the range above depends on the magnitude of the recapture of state construction business by in-state contractors with a prevailing wage law. Evidence from New Hampshire and from New England states with effective prevailing wage laws points to a potential for recapture that would create almost 4,000 jobs economy-wide. National comparison of states with and without effective prevailing wage laws suggests a more modest amount of recapture that would support about half as many jobs.
- An increase in economic activity across all industries of \$298 million to \$681 million.
- Greater efficiencies in the construction industry with 7% less materials use.
- An increase in state and local tax revenues in the range of \$7.3 million to \$17 million.

An effective prevailing wage law would also substantially improve outcomes for workers.

- Construction occupation wage and salary income would increase by an estimated 19%, with larger increases for lower-wage construction workers. Effective prevailing wage laws counter the depressing effect of state low-bid contracting laws on construction industry wages.
- An estimated 2,515 more New Hampshire construction workers would receive health benefits through their job and an estimated 1,422 more would receive pension benefits.
- Roughly 600 fewer construction workers would receive food assistance (through Supplemental Assistance for Needy Families or SNAP) and another 600 would no longer receive the Earned Income Tax Credit (EITC).

Similar to the benefits of the recapture of construction business by local contractors, the positive effects of boosting workers' wages and disposable incomes would ripple across all sectors of the economy. In addition, by increasing incomes and benefits, and reducing the reliance of households that include construction workers on public assistance, a prevailing wage law would generate savings for federal and state taxpayers.

These positive economic impacts should be considered together with prior research – reviewed in the second half of this report, much of it published in peer-refereed academic journals – showing that prevailing wage does not impact the cost of public construction. Prevailing wage, the research indicates, does positively impact wages, benefits, productivity levels, investment in apprenticeship training, safety levels, and worker experience.

Taken as a whole, the findings in this report indicate that prevailing wage laws shift the way the construction industry uses materials, services, and labor to produce a finished product. These laws increase reliance on the skills and experience of career construction professionals who use materials efficiently, and reduce reliance on low-wage inexperienced workers, sometimes recruited from out of state. Consistent with the idea that “you get what you pay for,” the gain in skills, experience, and materials cost savings with prevailing wage laws offsets the higher per hour wage and benefit costs. Prevailing wage generates benefits for the economy as a whole because wages and benefits would increase and more contractors and employees on state-funded projects would live in New Hampshire.

Interviews with New Hampshire contractors and other construction industry participants also indicate that a prevailing wage law is particularly needed today. After a decade of depressed demand, many workers have left the industry, the workforce has aged and there has been little recent investment in apprenticeship training. As the industry recovers and needs new workers, will it invest adequately in training and pay enough to retain workers as they gain experience and become more productive? Or will it seek low-wage unskilled labor, with negative consequences for construction productivity and job quality, expanding market share for out-of-state firms that specialize in tapping vulnerable workers? A prevailing wage law in New Hampshire can help create a context in which contractors are able to offer good jobs and invest in their workers, with benefits for contractors, workers, and construction customers – and, as we have seen, for the New Hampshire economy as a whole. A prevailing wage law can help the New Hampshire construction industry take the high road.

Introduction

Prevailing wage laws (PWL) establish minimum wage and benefit standards by occupation (i.e., “craft” or “trade”) for construction funded at least in part by public dollars. These laws have been part of the construction landscape at the state and national levels since the 1930s. The impacts of prevailing wage policies on construction costs and quality, labor markets, and productivity have been the subject of extensive economic analysis over the decades. Recent debate about income inequality and the need to create more middle-class jobs, skill shortages, the importance of infrastructure investment, and state budgets and revenue shortfalls have brought a renewed focus on construction industry prevailing wage laws and their impacts.

Roughly half of states have strong or average prevailing wage laws, while the other half have no law or a weak one. New Hampshire is the only state in New England and the Northeast United States without a prevailing wage law at all, although the laws in Maine and Vermont are “weak.” Virginia is the closest state to New Hampshire that does not have a prevailing wage law.

The fact that half of the states have effective prevailing wage laws and another half do not provides economists with a national laboratory to evaluate the impacts of these policies based on real-world experience. We don’t have to conjecture what might happen, we can use real-world experience to see what *does* happen. Research is further aided by the fact that policies within the past couple of decades have changed within some individual states, providing “natural experiments” that make it easier to separate the impact of enacting or repealing prevailing wage laws from other differences among states.

Our analysis of the economic impact of prevailing wage laws is divided into three main sections. The economic impact analysis begins with an overview of the differences between the construction industry in the half of states with average or strong prevailing wage laws and the other half of states. There are critical structural differences between states with strong prevailing wage laws and those without that extend beyond the wages earned by construction workers. These include materials usage rates, productivity, local subcontracting rates, the income distributions for both construction and administrative workers, the provision of earned benefits, and other factors. These differences allow us to project the economic impact of establishing a prevailing wage law in New Hampshire, first on the New Hampshire economy as a whole and then on workers’ wages and incomes, health and pension benefits, and reliance on public safety net programs.

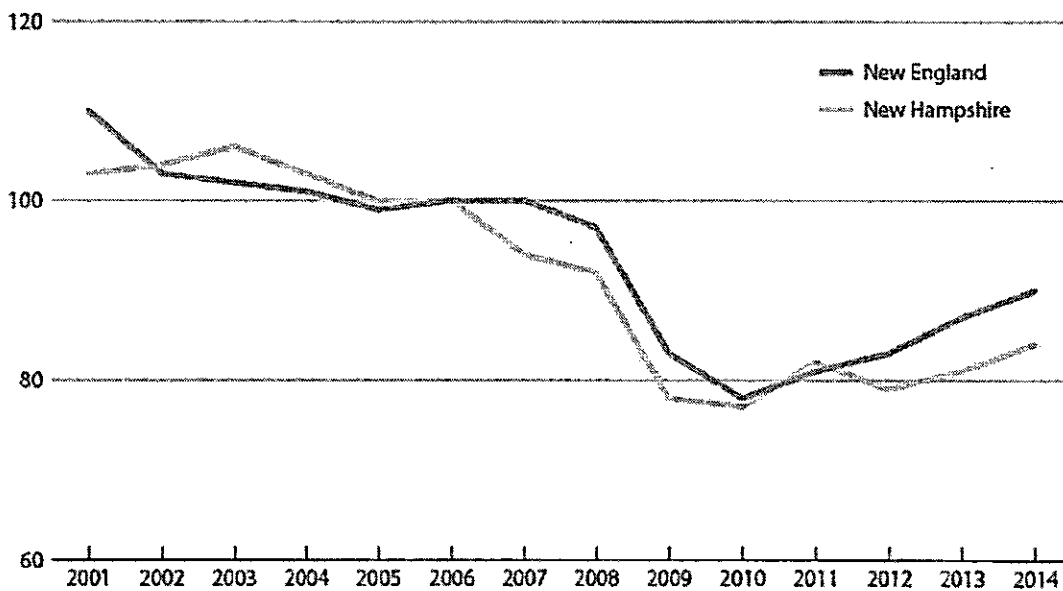
In projecting how the impacts of prevailing wage would ripple through the economy as a whole, we used a standard economic model (called “IMPLAN”). The impact is due to both the alteration of the cost components and the reduction in the leakage of construction spending out of the New Hampshire economy. An additional positive economic impact (not incorporated into our model) is the taxpayer savings resulting from reduced use of public services by construction workers.

After projecting the economic impact of a New Hampshire prevailing wage law, we review the high-quality research literature on the impact of prevailing wage laws. This section focuses first on the critical issue of construction costs and then on other factors such as training, safety and productivity.

The penultimate section of the report, “The Voice of Construction Industry Leaders,” presents qualitative findings from interviews with construction industry stakeholders in New Hampshire. These insights help us interpret the earlier economic impact analysis and review of the research literature.

The broader context for this report is a construction industry – in both New Hampshire and across the country – that has just experienced one of the most difficult decades in its history, and a construction industry workforce that earns little more than it did a quarter century ago (Figure 1). Throughout the nation, the construction industry was the epicenter of the Great Recession, which started in the residential housing market but then spread to non-residential construction, as cash-strapped corporations, states, localities, and non-profit institutions (e.g., higher education) cut back their construction spending. Employment in the residential construction industry in New Hampshire fell by nearly a third (32%) from 2006 to 2010, and employment in the non-residential sector fell by nearly a quarter (23%).¹ While construction employment has recovered somewhat, employment in the New England construction industry (residential plus non-residential) remains 10% below the pre-recession 2006 level (and nearly 20% below the 2000 level) and employment in the New Hampshire industry remains 15% below the 2006 level (Figure 1). Construction industry data also show that the number of construction businesses fell during and after the Great Recession. To ensure the strong building industry needed to provide the infrastructure for a competitive economy, New Hampshire needs to rebuild its stable of experienced contractors and its skilled construction industry workforce.

Figure 1.
Employment in the New Hampshire and New England Construction Industries, 2000-2014
Indexed to 2006=100

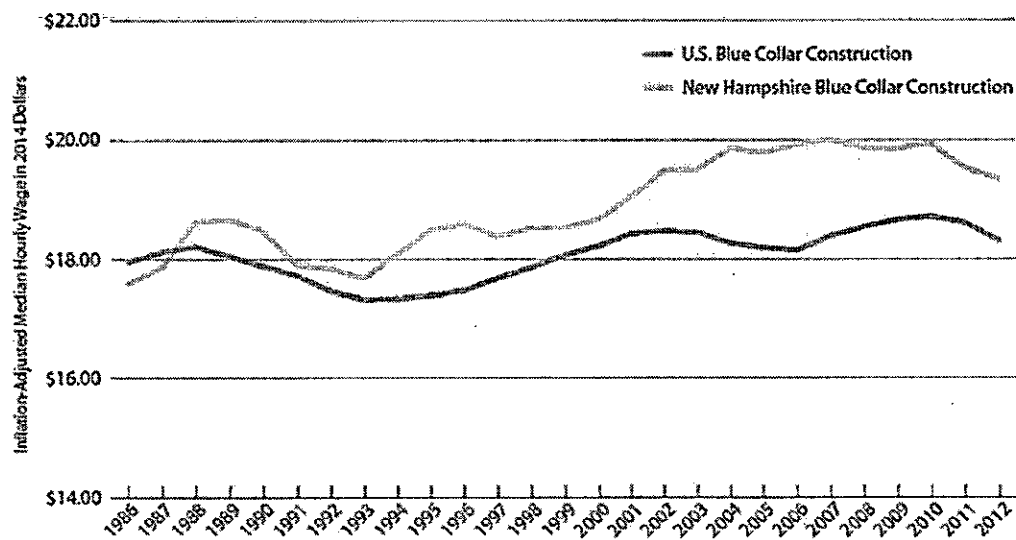


Source: Keystone Research Center (KRC) based on Quarterly Census of Employment and Wage (QCEW) data.

¹ Source: Quarterly Census of Employment and Wages (QCEW).

For construction industry professionals, challenging economic times began long before the Great Recession. As Figure 2 shows, hourly wages (adjusted for inflation) have increased little since 1985. In New Hampshire, after a small increase in the second half of the 1980s, hourly blue-collar construction trades' wages rose only 67 cents per hour from 1989 to 2012 – about 3 cents per hour per year. Over the full period shown in Figure 2, New Hampshire economy-wide productivity has grown 78% but construction workers – similar to many other groups of workers – have barely shared at all in the benefits of an expanding economic pie, with construction wages rising only by one sixth as much as the state's (13%) overall productivity growth.²

Figure 2.
Wages Among Blue-Collar Construction Trades Have Grown Little in the Past Quarter Century



Note: This graph shows a five-year average of hourly wages adjusted for inflation using the CPI-U-RS (Consumer Price Index - All Urban Consumers - Research Series). Since it is a five-year average, 1986 means 1984-1988 and so on.
 Source: Keystone Research Center (KRC) based on the Current Population Survey (CPS).

The challenges of the past decade in the New Hampshire construction industry make it imperative that New Hampshire today adopt public policies that boost local contractors and help ensure middle-class wages. The good news is that a state prevailing wage law could be the foundation for a strong construction industry that benefits contractors, career construction professional, and taxpayers in the state.

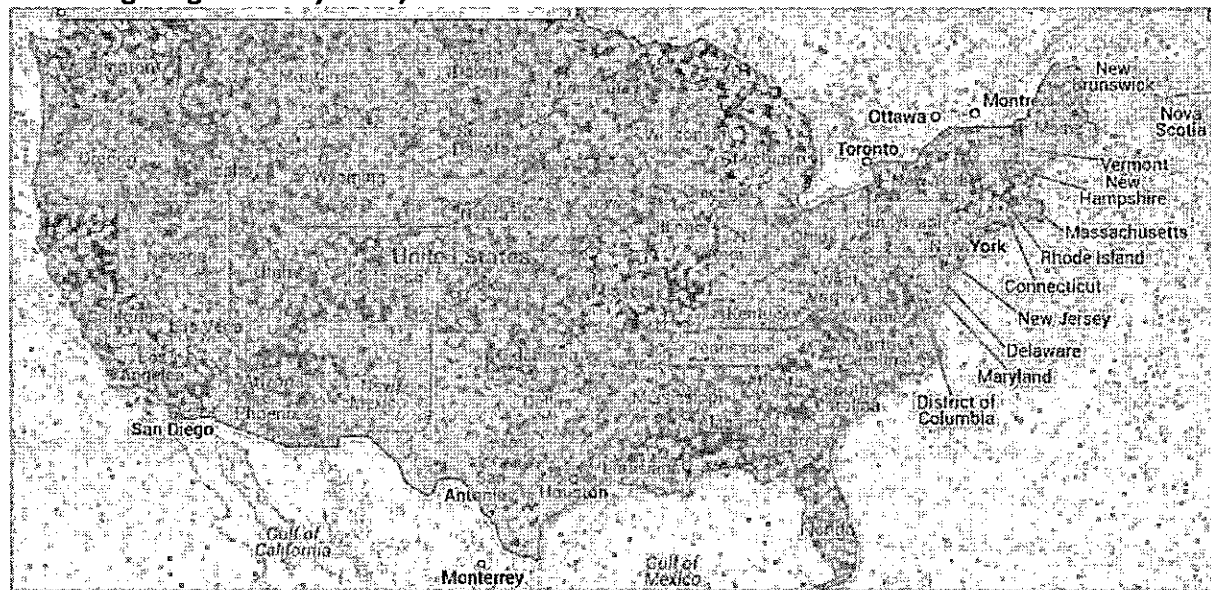
² Source for productivity estimate: Economic Policy Institute (EPI) analysis of unpublished total economy data from the Bureau of Labor Statistics, Labor Productivity and costs program; employment data from the Bureau of Labor Statistics, Local Area Unemployment Statistics; wage data from the Current Population Survey and compensation data from the Bureau of Economic Analysis, State/National Income and Product Accounts public data series.

The Economic Impact of a New Hampshire Prevailing Wage Law

The Dual Worlds of the Construction Industry

The nation's construction industry is incredibly diverse, employing six million people in more than 650,000 establishments, comprising approximately 5% of Gross Domestic Product and 4% of national non-farm employment in 2013. These national totals, however, obscure significant differences in how the industry is organized around the nation. To explore these differences, we divide the United States into two groups of states: 25 states with average or strong prevailing wages laws and 25 states with weak or no prevailing wage laws.³ The prevailing wage states account for 56% of the nation's population, 53% of \$1.33 trillion of construction output and 52% of the industry's total employment, yet 57% of its construction wages paid and 63% of the industry's earned-benefit payments.⁴ Figure 3 below maps the states by their prevailing wage status in 2012. (We show 2012 because that was the year in which the data used in our economic impact analysis was gathered.)

Figure 3.
Prevailing Wage Laws by State, 2012



Key: Dark Blue = Strong Prevailing Wage Law; Light Blue = Average Prevailing Wage Law; Light Red = Weak Prevailing Wage Law; Dark Red = No Prevailing Wage Law

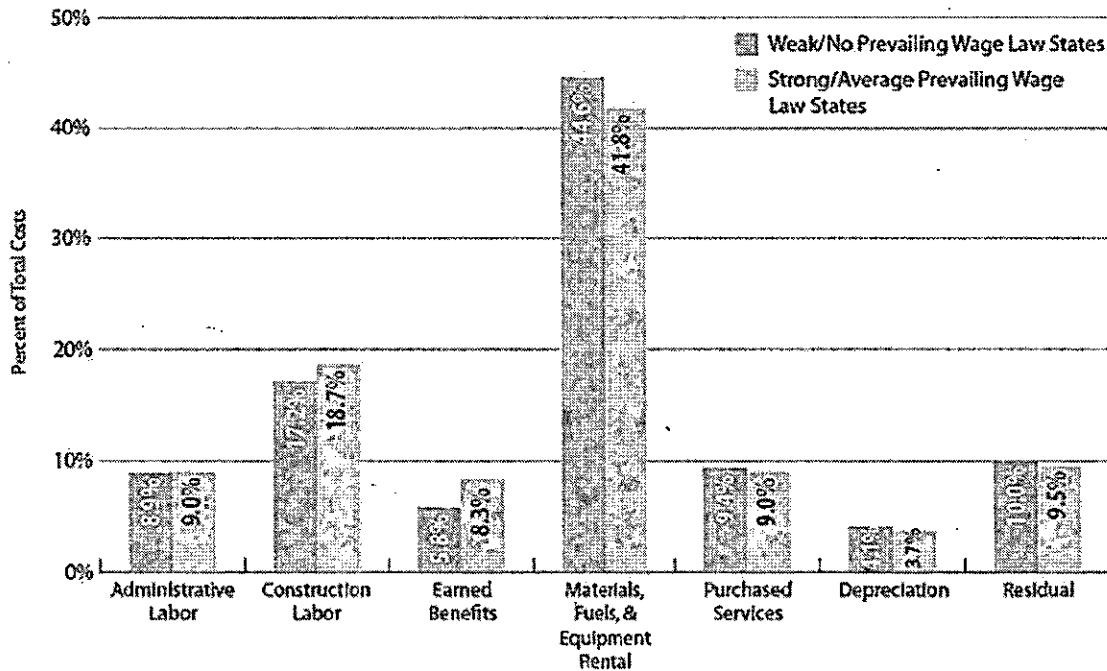
³ State-level prevailing wage laws were coded "strong," "average," and "weak" using an approach developed by Armand J. Thieblot in *Prevailing Wage Legislation: The Davis-Bacon Act, State "Little Davis-Bacon" Acts, The Walsh-Healey Act, and The Service Contract Act* (Philadelphia: The Wharton School, University of Pennsylvania, 1986). Thieblot evaluated the strength of prevailing wage laws across several dimensions including the dollar limit at which they apply, the projects they cover, and the method used to determine the wage and benefit standards that prevail. The authors updated Thieblot's classifications to reflect subsequent policy changes and our own judgment. A summary of recent state-level prevailing wage characteristics is available at www.cga.ct.gov/2010/rpt/2010-R-0526.htm.

⁴ Source: 2007 Census of Construction

Relying on data from the 2012 *Economic Census of Construction* (the most recent year for which data are available), it is possible to break down industry costs into major components and examine differences in how the industry operates in the two groups of states. Cost component differences between states with different prevailing wage laws are shown in Figure 4. The existence of a meaningful prevailing wage law is associated with:

- lower materials and fuels costs – materials, fuels, and equipment rental costs are 44.6% of total costs in states with weak or no wage policy and are 41.8% in states with strong and average laws.
- higher benefit costs (8.3% of total costs in strong/average law states vs. 5.8% in weak/no law states and 7.5% in New Hampshire); and
- higher labor costs (18.7% vs. 17.2% for blue-collar labor costs in strong/average vs. weak/no prevailing wage law states).

Figure 4.
Construction Costs Break Down Differently Based on Whether or Not States Have Effective Prevailing Wage Laws



Source: 2012 U.S. Census of Construction.

Data from the *Economic Census of Construction* also indicate that value added per worker is 11% higher in states with strong or average prevailing wage laws. In the absence of prevailing wage laws, a contractor's search for cheaper labor is more likely to result in the use of more out-of-area contractors that pay less than local area standards.

States with strong or average prevailing wage laws have more construction work completed by in-state domiciled contractors. Across the country as a whole, data from the 2007 *Economic Census of Construction* show an approximately two percentage-point difference in the share of the total value of in-state construction performed by in-state contractors between states with and without effective prevailing wage laws. A two percentage point jump in the share of New Hampshire construction performed by in-state contractors amounts to a recapture of \$101.5 million dollars of construction demand. The potential for recapture could be greater in New Hampshire because New Hampshire's starting point for the share of construction performed by in-state contractors is low (81.6%). By contrast, the three New England states with strong or average prevailing wage laws have a roughly 90% in-state contractor share of in-state construction value, 8.3 percentage points higher than New Hampshire.⁵ As well as loss of market share to low-wage out-of-state contractors, a gap this large likely reflects loss of demand by in-state New Hampshire contractors on large and complex projects to big regional firms (e.g. from Boston or southern New York state).

Research on prevailing wage laws finds that states with "strong" and "average" prevailing wage laws differ in fundamental ways from those with "weak" or nonexistent laws. Prevailing wage laws are part of a set of interrelated institutional arrangements, including a stronger emphasis on apprenticeship training, greater work-place safety, higher rates of health insurance and retirement benefits, and relatively higher wages, all of which contribute to the "high road" in the construction industry.⁶ On this path, the construction industry provides the skills needed to build the structures and infrastructures for a growing, technologically sophisticated, and competitive state economy. Prevailing wage laws establish a legal foundation that supports this type of construction industry and economic benefits.

In contrast, the construction "low road" does not have the same institutional support. In states with weak or no prevailing wage laws there are lower levels of training and productivity and higher rates of job-related injury. Wages and benefits are lower, with greater reliance on public safety net programs, including "uncompensated health care" provided to construction workers without health insurance.⁷ Without prevailing wages, worker benefits are lower and contractor profits are higher. Thus, without adequate prevailing wages and benefits, taxpayers are at risk of subsidizing the profits of contractors. Also under these conditions, the construction industry does not have the skills to contribute to a broadly competitive state economy. State and local governments are the single, largest purchasers of construction services in New Hampshire, accounting for one out of six dollars of construction output,

⁵ The 90% weighted average in-state contractor share in the three New England states with effective prevailing wage laws is influenced most by Massachusetts at 92.1%.

⁶ For more discussion of the influence of prevailing wage laws and construction industry characteristics see Peter Philips, "Kentucky's Prevailing Wage Law," January 2014; Hamid Azari-Rad, Peter Philips, Mark Prus (eds), *The Economics of Prevailing Wage Laws* (Ashgate Publishing Limited, Aldershot, England, 2005); Frank Manzo and Robert Bruno, *Which Labor Market Institutions Reduce Income Inequality? Labor Unions, Prevailing Wage Laws, and Right-to-Work Laws in the Construction Industry*, January 29, 2014' online at <http://docplayer.net/106037-Which-labor-market-institutions-reduce-income-inequality.html>

⁷ Academic research documents the connection between the lack of employment-based health insurance among construction workers and higher uncompensated care costs that accrue to public hospitals and, by extension, other health-care payers, including taxpayers and businesses that do provide health care. See Jeff Waddoups "Health Care Subsidies in Construction: Does the Public Sector Subsidize Low Wage Contractors?" in Azari-Rad, Hamid, Peter Phillips, and Mark Prus, eds. *The Economics of Prevailing Wage Laws*, pp. 205-224. Accessed at: http://www.researchgate.net/publication/237102337_Health_Care_Subsidies_in_Construction_Does_the_Public_Sector_Subsidize_Low_Wage_Contractors.

and about one out of every four dollars of non-residential construction output.⁸ By virtue of this position, public expenditures set the tone for the state's construction industry. It is up to the New Hampshire legislature to tip the balance of the state's construction industry towards the high road.

Economic Impacts

Recognizing the systemic differences in how the construction industry operates between states with and without prevailing wage laws, this section seeks to estimate the impact of those differences on the New Hampshire economy. To generate these estimates we rely on a standard modeling technique used by economists called "input-output analysis" and a widely used input-output software package, "IMPLAN." Input-output analysis breaks down the total economic impact of any economic shift into a "direct" effect (e.g., the increase in construction spending by in-state contractors whose market share grows with a prevailing wage law), an "indirect effect" (because contractors increase purchases from their supply chain) and an "induced" or "consumption" effect (e.g., as spending by workers and owners in construction contractors and their suppliers increases demand in through consumer industries):

In the case at hand, then, the most important factor that drives our economic impact estimates is the recapture of demand by in-state contractors. With a prevailing wage law, fewer New Hampshire construction dollars will leak out of the state's economy and more in-state contractors and construction workers will be employed. The recapture of demand by local contractors will also ripple through the supply chain and then the economy as those contractors, their suppliers, and their employees spend additional profits and wages, primarily in New Hampshire.

A second factor that contributes to the economic impact of a prevailing wage law is how such a law changes the allocation of spending in the construction industry. As described previously, states with strong or average prevailing wage laws have relatively higher labor and benefits costs and lower material costs. These shifts in industry spending patterns create jobs in New Hampshire if labor income is more likely be spent in New Hampshire than contractor spending on materials companies, many of which are out of state.

A third factor that contributes to the economic impact of a prevailing wage law is its tendency to increase wages of blue-collar construction industry professionals, especially the lowest-paid individuals. When income is shifted downward, economic activity, employment, and tax revenue all increase because middle- and lower-wage employees spend higher proportions of their earnings, and also tend to spend locally. By offsetting the low wages that otherwise result from low-bidding procedures in public procurement, prevailing wage laws alter the distribution of income in a way that increases economic activity.

As noted, the biggest driver of our estimated economic impacts of an effective prevailing wage law is the size of the shift to in-state contracting. We estimate this shift using two different methods. The most conservative method (shown in Table 1) assumes that the shift would be two percentage points, the national estimate of the impact of prevailing wage laws on in-state contracting in 2007. The second

⁸ Purchases of state and local governments represent 17% of the total value of construction in New Hampshire in 2012. The total is 20% if federal purchases are included. Source: 2012 Economic Census of Construction, Table 23A1. Accessed at: http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN_2012_US_23A1&prodType=table

method (shown in Table 2) uses regional data which shows that there is an 8.3 percentage point gap between the level of in-state contracting in New Hampshire compared to Connecticut, Massachusetts, and Rhode Island combined. Since this likely represents loss of contractor market share to both sophisticated and low-wage out-of-state competitors, assuming a jump of the full 8.3 percentage points with the introduction of an effective prevailing wage law in New Hampshire may not be realistic. Therefore, the top end of our range of potential economic impacts does not assume that a prevailing wage law will lead in-state contractors to recapture the full 8.3 percentage point gap with CT-MA-RI. Instead, the top end of our range averages the economic impact of a full 8.3 percentage point recapture and the much smaller two percentage point recapture.

Table 1. Economic Impact of an Effective New Hampshire Prevailing Wage Law: Low Recapture of Market Share from Out-of-State Contractors			
<i>Impact Category</i>	<i>Direct Effect</i>	<i>Multiplier</i>	<i>Total Economic Impact</i>
Construction Industry Spending Change	\$124 million	2.40	\$298 million
Employment (number of jobs)	413 jobs	4.14	1,710 jobs
Total State and local tax revenues Revenue Change			\$7.3 million
<i>Note.</i> These estimates assume that a New Hampshire prevailing wage law would increase the market share of in-state New Hampshire contractors by two percentage points, which is the national average gap between the in-state contractor shares in states with strong/average prevailing wage laws versus states with no/weak prevailing wage laws.			
<i>Source.</i> The authors based on official government data and IMPLAN modelling.			

Table 2. Economic Impact of an Effective New Hampshire Prevailing Wage Law: High Recapture of Market Share from Out-of-State Contractors			
<i>Impact Category</i>	<i>Direct Effect</i>	<i>Multiplier</i>	<i>Total Economic Impact</i>
Construction Industry Spending Change	\$302 million	2.25	\$681 million
Employment (number of jobs)	\$1,187 jobs	3.36	3,992 jobs
Total State and local tax revenues Revenue Change			\$17 million
<i>Note.</i> These estimates assume that a New Hampshire prevailing wage law would have an economic impact equal to the average of the impact shown in Table 1 (using a low recapture assumption) and the impact with the recapture of the full 8.3 percentage point gap between New Hampshire in-state contractor share and the (weighed average) of the Connecticut, Massachusetts and Rhode Island contractor market share.			
<i>Source.</i> The authors based on official government data and IMPLAN modelling.			

Table 1 shows that the economic impact of a New Hampshire prevailing wage law will be meaningful even using our more conservative assumption. Tables 1 and 2 together show that such a law is projected to:

- Increase economic activity by at least \$298 million and as much as \$681 million.
- Lead to a net gain of at least 1,710 jobs and nearly 4,000 jobs across all industries.
- Increase state and local tax revenues by somewhere in the range of \$7.3 million to \$17 million.

Implementing an effective prevailing wage law in New Hampshire would be a pro-business policy change. After the last decade, construction contractors and other firms in New Hampshire require new strategies to boost economic activity and grow their businesses, including policies that increase a portion of the state's construction expenditures for in-state contractors. A prevailing wage law is one such strategy to support small businesses in New Hampshire.

Income and Benefits Earned

Similar to the differences in how the construction industry operates in states with and without robust prevailing wage laws, we also observe differences in these two groups of states in wages, benefit coverage, poverty levels, and reliance on public assistance. This section compares these outcomes for construction workers residing in New England states with strong/average prevailing wages against those in states with weak/no wage policies. Data from the March (Annual Social and Economic, or ASEC) Supplement of the Current Population Survey (CPS) of the U.S. Census Bureau contain economic and demographic information on a large number of construction workers.⁹ The *Current Population Survey* is a random poll of households, jointly sponsored by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics.

The March CPS Supplement also provides data on income and noncash benefits, including food stamps and public and private health insurance plans. In total, a dataset pooling 10 years of March CPS data from the beginning of 2004 through the end of 2013 comprises 7,745 observations for the construction industry across New England, including 3,775 employed blue-collar construction workers. This group allows us to estimate the characteristics of 262,707 construction workers annually in these six states.¹⁰

New Hampshire and Other New England Blue Collar Construction Workers Compared, 2004-13.

Table 3 profiles the demographics and labor-market outcomes of our sample in New Hampshire, in the three states with weak or no prevailing wage law as a group (Maine, New Hampshire and Vermont) and in the three states with strong/average prevailing wage laws (Connecticut, Massachusetts and Rhode Island). Blue-collar construction workers are defined as all workers employed in "construction occupations," such as construction laborers, operating engineers, electricians, carpenters, plumbers, pipefitters, and painters – what are sometimes referred to as "crafts," "trades," "skilled trades" or, elsewhere in this report, as constructional professionals. First-line supervisors are excluded.

The demographics of the blue-collar construction workforce are similar throughout New England independent of the existence of a strong/average prevailing wage law (Table 3). For blue-collar construction workers, the average age is just over 40, white non-Latino workers account for at least 80% of the workforce (although the workforce in the more populous strong/average prevailing wage laws is more diverse), and only 2% to 3% of the workforce is female. In addition, only about one-in-five construction professionals has a college degree and nearly two thirds of the workforce have a high-school degree or less, although New Hampshire has a more educated workforce than the other groups shown.

⁹ See "Poverty," *Current Population Survey Annual Social and Economic Supplement*, U.S. Census Bureau. Accessed at: <http://www.census.gov/hhes/www/poverty/publications/pubs-cps.html>.

¹⁰ The information was extracted from the Integrated Public Use Microdata Series (IPUMS-CPS) project by the Minnesota Population Center at the University of Minnesota. See Sarah Flood, Miriam King, Steven Ruggles, and J. Robert Warren. *Integrated Public Use Microdata Series, Current Population Survey: Version 4.0*. [Machine-readable database]. Minneapolis: University of Minnesota, 2015.

Economic outcomes for workers in New Hampshire and the other states without robust prevailing wage laws differ more substantially from those in the three states with such laws. After adjusting for inflation, the average wage and salary income for blue-collar construction workers was \$44,151 in New England states with a strong or average prevailing wage law, or \$5,001 greater than their counterparts in states with a weak or no law (\$39,150). In New Hampshire alone, blue-collar construction professionals fared better (\$41,736) than in the other regional peer states with a weak/no law; but New Hampshire construction workers still earned less than their counterparts in states with a strong/average prevailing wage law. In New England states with an effective prevailing wage law, 76.4% of blue-collar construction workers had health insurance and 28.5% had a pension plan at work. Conversely, in New England states without an adequate prevailing wage law, only 70.3% of blue-collar construction professionals had health insurance and only 25.5% had a pension plan at work. The respective figures for New Hampshire were 67.1% covered by health insurance and 26.3% covered by a pension.

<i>Summary Statistics</i>	<i>New Hampshire</i>	<i>Weak/No PWL (incl. NH)</i>	<i>Strong/Average PWL</i>
<i>Demographics</i>			
Age	39.6	40.8	40.7
White, non-Latino	94.1%	95.7%	83.5%
Female	2.3%	2.8%	2.4%
High school degree or less	62.2%	65.1%	66.6%
Some college, no degree	16.8%	14.9%	14.2%
College degree	21.0%	20.0%	19.2%
<i>Poverty, Government Assistance, and Taxes</i>			
Real wage and salary income*	\$41,736	\$39,150	\$44,151
Has health insurance	67.1%	70.3%	76.4%
Has a pension plan at work	26.3%	25.5%	28.5%
Lives below official poverty line	6.8%	6.3%	6.1%
Receives SNAP assistance	2.8%	5.9%	3.2%
Receives Earned Income Tax Credits (EITC)	8.5%	10.0%	9.6%
*Adjusted for inflation (Consumer Price Index) to 2013 dollars; reported only for workers with positive earnings.			
Source. Current Population Survey, March (Annual Social and Economic (ASEC)) Supplement, 2004-2013. N= 3,775.			

Table 3 also shows that approximately 6% of construction workers earned an income that placed them below the official poverty line, regardless of the type of New England state in which they reside. However, fewer blue-collar construction professionals received SNAP assistance (3.2%) and Earned Income Tax Credits (9.6%) in those New England states with strong/average prevailing wage laws than in those without (5.9% and 10.0%, respectively). New Hampshire alone fared better on these metrics, with 2.8% of the blue-collar construction workforce receiving food stamps and 8.5% receiving Earned Income Tax Credits.

How Much Would an Effective Prevailing Wage Law Improve Economic Outcomes for New Hampshire's Construction Professionals?

We now want to move beyond describing “what is” – the characteristics of New Hampshire construction professionals compared to those of professionals in New England peer group states – to understand the impact of strong/average prevailing wage laws on worker incomes and public sector budgets. To do this we use statistical methods (called “regression analysis”) that separate out the impact of prevailing wage

policies on construction workers' economic outcomes from the impact on these outcomes of other factors (e.g., individual workers; education, marital status, gender, race, etc.). Our analysis answer the question "if the same worker moved from a state without strong/average prevailing wage legislation to a state with a strong/average prevailing wage law, how much would his or her income increase or decrease?" The analysis also estimates how much workers' outcomes would change in New Hampshire with an effective prevailing wage law and whether these changes are large enough that they could not reasonably be a result of random chance (in the language of statisticians and economists, are the impacts of an effective prevailing wage law "statistically significant?"). It is worth noting that our data source may underestimate dependence on government transfers by as much as 40% (partly because respondents to the household survey from which CPS data come are not always comfortable acknowledging that they receive public assistance). Our estimates of reliance on government assistance are therefore *conservative*.¹¹

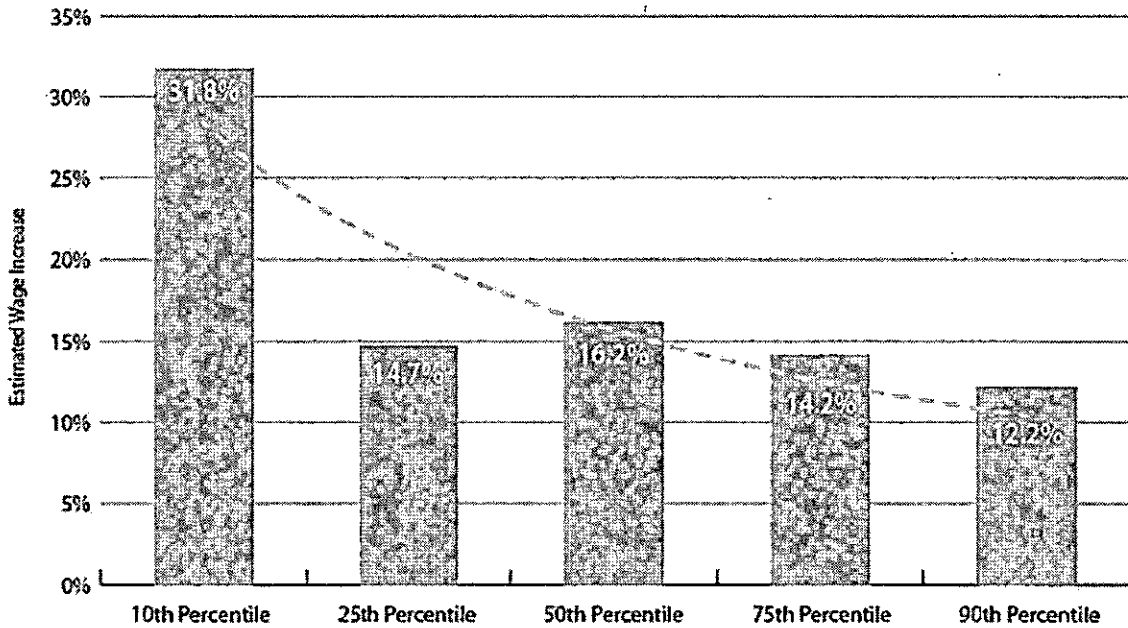
Impacts on Construction Workers' Wage and Salary Income and Benefit Coverage.

Figure 5 shows that strong/average prevailing wage laws increase construction workers' wage income by a statistically significant amount. The effects are largest for lower-income construction workers. For example, strong or average prevailing wage laws increase earnings by 31.8% for the lowest earners shown (at the 10th percentile), versus 16.2% for the median worker (at the 50th percentile). The increase for the top 10% of blue-collar construction workers (the 90th percentile) was 12.2%. The results illustrate how effective prevailing wage policies improve personal incomes for *all* blue-collar construction workers but benefit low- and middle-income workers most. In the absence of an effective prevailing wage law, state low-bid contracting creates downward pressure on workers' wages. By contrast, strong or average prevailing wage laws reduce wage inequality, fostering middle-class incomes for construction workers and their families. The significant impact on the lowest-paid construction professionals makes them less likely to rely on government assistance.

It is worth noting that average and strong prevailing wage laws are part of a broader set of "high road" institutional arrangements that may also be responsible for increasing worker earnings. Figure 5 only controls for demographics (such as age, race, gender, and immigration status), educational attainment, urban status, hours worked, and annual trends. Other characteristics of a "high road" construction industry such as greater worker productivity, enhanced safety procedures, and higher unionization may also be important. Thus, the effect in Figure 5 is the *maximum* impact of prevailing wage on distributional income.

¹¹ Other limitations of our methods include those associated with many statistical models, such as missing or unobservable variables. For more details on the statistical methods, see Frank Manzo IV, Alex Lantsberg, and Kevin Duncan, *The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry*. Illinois Economic Policy Institute, Smart Cities Prevail, and Colorado State University–Pueblo. Accessed at: www.illinoisepi.org.

Figure 5.
Maximum Impact of an Effective New Hampshire Prevailing Wage Law on Wages for Lower-, Median, and Higher-Wage Blue Collar Construction Trades

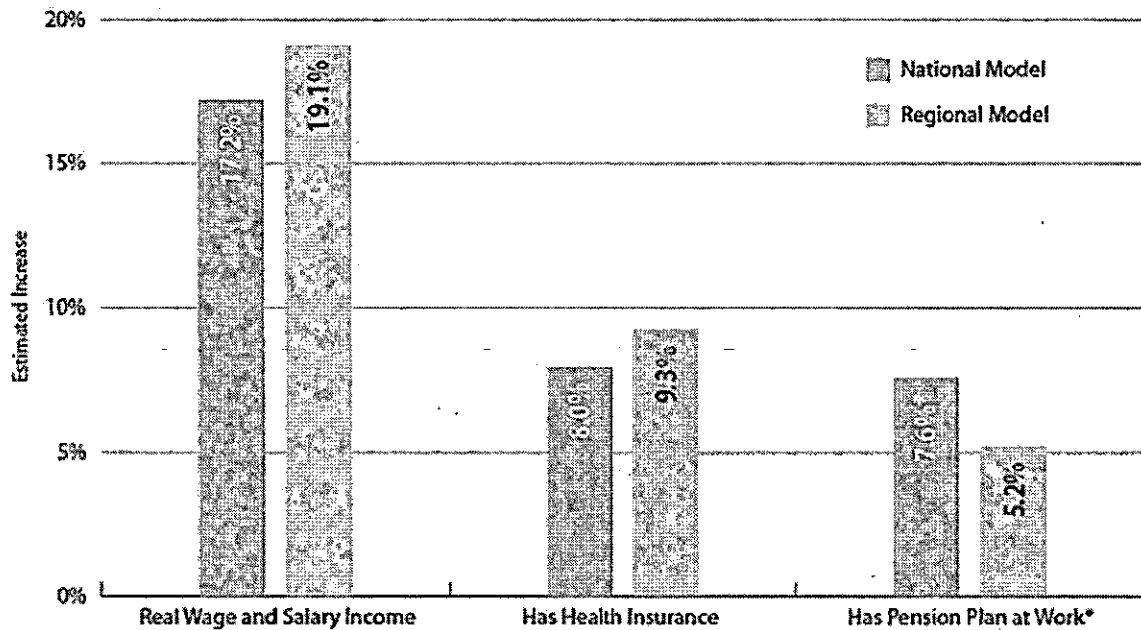


Note. Estimated percent wage increases resulting from an effective prevailing wage law based on regression analysis of wages in blue-collar construction trades in six New England states, three with strong/average prevailing wage laws (Connecticut, Massachusetts and Rhode Island) and three with no/weak laws (Maine, New Hampshire and Vermont). Regression results available upon request.

Source. Authors' regression estimates using data from the March (Annual Social and Economic (ASEC) Supplement to the CPS.

The estimated effect of strong/average prevailing wage laws on incomes, health insurance coverage and pension in coverage in New England is similar to the estimated effect nationally when the half of states with effective prevailing wage laws are compared to the half without (Figure 6). Prevailing wage laws increase construction worker incomes and help to significantly increase private health and retirement coverage, ensuring that construction workers are self-sufficient and not reliant on public insurance programs.

Figure 6.
Estimated Impact of an Effective New Hampshire Prevailing Wage Law on Wages/Salaries and Health and Pension Benefits



Note. Estimated percent increases in wage/salary income and health and pension benefit coverage resulting from an effective prevailing wage law based on regression analyses of six New England states and of all 50 states. Regression results available upon request.
Source. Authors' regression estimates using data from the March ASEC Supplement to the CPS.

Impact on Construction Workers Reliance on Social Safety Net Programs.

Since prevailing wage laws raise workers' earnings, fostering self-sufficient construction workers, they would be expected to reduce reliance on government programs, reducing taxpayer costs. This is indeed the case within our six-state New England region and also nationally.¹² In both New England and nationally, controlling for other variables, strong or average prevailing wage laws reduce the probability that a blue-collar construction worker receives Supplemental Nutrition Assistance Program (SNAP) benefits by just over three percentage points. In New England, prevailing wage laws also reduce reliance on the federal Earned Income Tax Credit (EITC) program by an estimated 2.3 percentage points (although the level of EITC usage in New England is much lower than in the nation as a whole).

Table 4 translates our findings into an estimate of the reduction in the number of workers in New Hampshire that would rely on public programs if the state adopted an effective prevailing wage law.

¹² See Frank Manzo IV, Alex Lantsberg, and Kevin Duncan, "The Economic, Fiscal, and Social Impacts of State Prevailing Wage Laws: Choosing Between the High Road and the Low Road in the Construction Industry." Illinois Economic Policy Institute, Smart Cities Prevail, and Colorado State University-Pueblo. Accessed at: www.illinoiseipi.org.

Keep in mind that these estimates are conservative because reliance on public assistance is underreported and also because the figures do not include extraction occupations, some of which fall in the construction industry, or first-line supervisors or managers. Approximately 600 fewer New Hampshire workers would rely on both SNAP assistance and EITC benefits. About 2,500 more blue-collar construction workers would have had health insurance coverage and over 1,400 blue-collar construction workers would have gained an employer-provided pension plan across New Hampshire if the state already had an effective prevailing wage law. By reducing reliance on government assistance, on public health insurance, and on public retirement, adopting a strong or average prevailing wage law would reduce costs to taxpayers.

Table 4. Estimated Impact of an Effective Prevailing Wage Law on Blue-Collar Construction Workers' Reliance on Government Assistance in New Hampshire			
Public Benefit Program	Number of New Hampshire Blue-Collar Construction Trades Reliant on the Program		Estimated Change
	Actual (2004-2013)	With Strong or Average PWL	
Supplemental Nutrition Assistance Program (SNAP)	2.8%	<1.0%	-3.1%
	756	<270	-600
Earned Income Tax Credit (EITC)	8.5%	6.2%	-2.3%
	2,300	1,688	-612
Has Health Insurance	67.1%	76.3%	+9.3%
	18,232	20,747	+2,515
Has a pension plan available at work	26.3%	31.6%	+5.2%
	7,161	8,583	+1,422

Source. Authors' analysis of the Current Population Survey, Annual Social and Economic Supplement (2004-2013). Note that the estimated change in SNAP assistance from the regional model is -3.1%, but only 2.8% of blue-collar construction workers in New Hampshire received food stamps during the period of analysis. The analysis thus assumes the effect would be to lower the actual amount below 1% of the blue-collar construction worker labor force.

The Impact of Prevailing Wage Laws: A Review of the Literature

The two previous sections projected the expected impact of an effective New Hampshire prevailing wage law on the economy based on data from strong/average prevailing wage law states and weak/no prevailing wage law states within New England and in the nation as a whole. This section reviews the findings from high-quality research on what *has happened* in the past in states with and without prevailing wage laws. This high-quality research, much of it published in peer-refereed academic journals, uses complex statistical methods (such as the “regression” approach described earlier) to separate the impact of prevailing wage laws from the impact of other differences (across states and construction projects) on construction industry costs and other outcomes. This high-quality research generally capitalizes on one or both of two realities. The first is the variation across states in prevailing wage policies which we have highlighted throughout this report. The second is the fact that the prevailing wage policy has changed at some point in the two decades in some individual states. A change in state policy creates a kind of natural experiment, allowing a before-after look at construction industry outcomes, ideally controlled for by examining neighboring states in which policy did not change.¹³

The high-quality research on the impact of prevailing wage laws differs from low-quality research most often cited by opponents of prevailing wage laws. Again and again, opponents of prevailing wage laws disseminate “reports” and estimates that fail to examine real-world experience but instead use hypothetical – or “what-if” – calculations. They ask what would happen to total costs if wages and benefits go up *and nothing else on a project changes* (such as productivity, use of materials, etc.). In essence, these studies simply assume the policy conclusion that their sponsors support – that prevailing wage laws increase costs. Fortunately, policymakers do not need to rely on this unsubstantiated assumption that defies both logic and the overwhelming body of evidence. Policymakers can rely instead on the high-quality research.

The Impact of Prevailing Wage Laws on Construction Costs

Labor costs are a small share of construction costs.

To understand the impact (or lack of impact) of prevailing wage laws on construction costs, it is helpful to understand the relationships between wages, costs, and labor productivity in the construction industry. While labor costs are a relatively high percent of total production costs for the overall economy, these costs are a low percent of total costs in the construction industry. The most reliable data on construction labor costs comes from the U.S. Census Bureau’s *Economic Census of Construction*, used earlier in our analysis of the economic impact of prevailing wage.¹⁴ Census of Construction data are derived from a survey of construction contractors in every state, every five years. Data from the most recent *Economic Census of Construction* indicate that construction worker labor costs (wages plus benefits) are 18.6% of the net value of commercial and institutional building construction in New

¹³ While New Hampshire itself had a change in prevailing wage policy in the mid-1980s, this change took place before the emergence in the early 2000s of high-quality research on prevailing wage laws.

¹⁴ See the 2012 U.S. Census Bureau, *Economic Census of Construction*, Construction: Geographic Area Series: Detailed Statistics for Establishments, accessed at: http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN_2012_US_23A1&prodType=table

Hampshire.¹⁵ This category includes many of the structures (institutional buildings) that would be covered by New Hampshire's proposed prevailing wage law. Construction worker labor costs are 24.4% of total costs highway, street, and bridge construction in New Hampshire. Again, this category includes one type of project covered by the state's proposed prevailing wage law. These data are consistent with U.S. Census Bureau information from other states. For example, Peter Philips reports that labor costs range between 17% and 20% for selected building types in Kentucky.¹⁶ Elsewhere, Kevin Duncan has reported that labor costs are approximately 22% of the net value of construction for highway, street, and bridge construction in Colorado.¹⁷ Since labor costs are a relatively small share of construction costs, when wages change in the construction industry, only a small portion of overall costs is affected.

You get what you pay for – labor costs impact labor quality.

It is also important to keep in mind that higher labor costs are linked to construction efficiency and productivity. For example, professors Blankenau and Cassou find that the use of skilled and unskilled construction labor is sensitive to wage rates.¹⁸ When construction wage rates increase, more skilled and productive construction workers are used instead of less-skilled workers. Professors Balistreri, McDaniel, and Wong also find that when wages increase and more skilled construction workers are employed, more capital equipment and machinery is used in construction.¹⁹ In addition, since labor costs are a low share of total construction costs, relatively small increases in labor productivity are needed to cancel out the impact of higher prevailing wage rates.

¹⁵ The *Economic Census of Construction* for 2012 does not report labor costs as a percent of total costs. This ratio must be calculated based on other data. Here, labor cost as a percent of total construction cost is derived by dividing total construction worker payroll, plus proportionally allocated total fringe benefits, by the net value of construction work. The net value of construction is based on the value of work completed by a contractor, less the value of work subcontracted to other contractors. The *Economic Census of Construction* defines construction worker payroll as the gross earnings paid in the reporting year to all construction workers on the payroll of construction establishments. It includes all forms of compensation such as salaries, wages, commissions, dismissal pay, bonuses, and vacation and sick leave pay, prior to deductions such as employees' Social Security contributions, withholding taxes, group insurance, union dues, and savings bonds. The *Economic Census of Construction* defines the net value of construction as the receipts, billings, or sales for construction work done by contractors, less the value of construction work subcontracted to others. The net value of construction does not include contractor business receipts from retail and wholesale trade, rental of equipment without operator, manufacturing, transportation, legal services, insurance, finance, rental of property and other real estate operations, and other non-construction activities. Receipts for separately definable architectural and engineering work for others are also excluded. Non-operating income such as interest, dividends, the sale of fixed assets, and receipts from other business operations in foreign countries are also excluded. See Construction: Geographic Area Series: Detailed Statistics for Establishments: 2012. Accessed at: See Construction: Geographic Area Series: Detailed Statistics for Establishments: 2012. Accessed at: http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN_2012_US_23A1&prodType=table.

¹⁶ See Peter Philips, "Kentucky's Prevailing Wage Law: An Economic Impact Analysis," January 2014.

¹⁷ See Kevin Duncan, "The Effect of Federal Davis-Bacon and Disadvantaged Business Enterprise Regulations on Highway Maintenance Costs," *Industrial and Labor Relations Review*, January, 2015, Vol. 68, No. 1, pp. 212-237. Accessed at: <http://ilr.sagepub.com/content/68/1.toc>.

¹⁸ See William Blankenau and Steven Cassou, "Industry Differences in the Elasticity of Substitution and Rate of Biased Technological Change Between Skilled and Unskilled Labor." *Applied Economics*, 2011, Vol. 43, pp. 3129-3142.

¹⁹ See Edward Balistreri, Christine McDaniel and Eina Vivian Wong, "An Estimation of U.S. Industry-Level Capital-Labor Substitution Elasticities: Support for Cobb-Douglas." *The North American Journal of Economics and Finance*, 2003, Vol. 14, No. 3, 343-356.

The findings of Balistreri and co-authors are consistent with the data presented in our earlier comparison of the construction industry in states with and without strong/average prevailing wage laws: i.e., the fact that value-added per construction worker is lower in states with weak or no prevailing wages and that the combined costs of materials, fuels, and equipment rentals are higher in states without meaningful prevailing wage standards. Better paid and more skilled workers translate into savings because they contribute to more efficient use of material and fuel as well as higher productivity.

Prevailing wage laws do not significantly impact construction cost.

The high-quality, peer-reviewed research on prevailing wage laws indicates that prevailing wage laws do not impact construction costs in a statistically significant way.²⁰ For example, an article in the *Journal of Education Finance* in spring 2002 explored the dependence of school construction costs across the United States from mid-1991 to mid-1999 on factors such as the state of the economy (measured by the level of unemployment), the size of the school, the season, and the existence of a responsible wage ordinance.²¹ The analysis found that public school construction costs:

- rose 22% when the unemployment rate declined by half;
- fell 2.5% for bids accepted in the spring compared to bids accepted in the fall;
- fell by 4.7% with a doubling of the school size, indicative of modest “economies of scale”; and
- did not go up or down a statistically significant amount based on the presence of a prevailing wage law.

This research thus suggests that if a state wants to reduce the costs of public construction, the most powerful approach would be to create a “Rainy Day Construction Fund” that provides resources for more public construction to take place when the overall market is depressed. This would have the additional benefits of stabilizing construction industry employment and contractor income, reducing reliance on public assistance programs, and facilitating the retention of experienced workers and good contractors by the industry.

In another study, Professors Cihan Bilginsoy and Peter Philips examined the outcomes in British Columbia when this province introduced a prevailing wage standard similar to strong state-level prevailing wage laws in the United States.²² The authors found that this change had no statistically significant impact on school construction costs.²³

In the 1990s, prevailing wage policies for school projects changed in Kentucky, Ohio and Michigan.²⁴ Specifically Kentucky adopted an ordinance for school construction after not having one, Ohio chose to make school construction exempt from prevailing wage law after it previously was not exempt, and

²⁰ A comprehensive review of the literature can be found in Kevin Duncan, “An illustration of the Impact on the Santa Clara County Economy of Repealing the Prevailing Wage Policy of the City of San Jose.” Submitted to Working Partnerships USA, February 11, 2011.

²¹ Hamid Azari-Rad, Peter Philips, and Mark Prus, “Making Hay When It Rains: The Effect Prevailing Wage Regulations, Scale Economies, Seasonal, Cyclical and Local Business Patterns Have on School Construction Costs,” *Journal of Education Finance* 27 (Spring 2002): 997-1012.

²² For a complete description of the BC policy, see Kevin Duncan, Peter Philips, and Mark Prus, “Prevailing Wage Regulations and School Construction Costs: Cumulative Evidence from British Columbia” *Industrial Relations*, 2014, Vol. 53, No. 4, pp.593-616.

²³ Cihan Bilginsoy and Peter Philips, “Prevailing Wage Regulations and School Construction Costs: Evidence from British Columbia,” *Journal of Education Finance* 25(3) (Winter 2000): 415-31.

²⁴ Peter Philips, *A Comparison of Public School Construction Costs In Three Midwestern States that Have Changed Their Prevailing Wage Laws in the 1990s: Kentucky, Ohio and Michigan* (Utah: University of Utah, 2001).

Michigan had an ordinance, suspended it, and then reinstated it. Researchers found that costs did not differ significantly during periods when such ordinances were, and were not, in effect.

In Colorado and Pennsylvania, researchers have compared construction costs in periods in which prevailing wages and benefits were measured in two different ways, one of which led to substantially lower wage and benefit standards. In Colorado until April of 2002, prevailing wage and benefit rates for the detailed job classifications involved in highway resurfacing projects in Colorado were based on union rates.²⁵ From April 2002 until the next prevailing wage survey in the fall of 2011, average wage and benefit rates prevailed. This change applied to 11 of the 13 detailed job classifications involved in highway resurfacing and represented an average 18% decrease in total hourly compensation for these jobs. Despite this substantial decrease, in the overwhelming majority of the wages paid for highway resurfacing, there was no corresponding decrease in the cost of federally funded resurfacing work relative to comparable state-funded projects. Professor Kevin Duncan's further analysis of highway resurfacing projects in Colorado indicates that when contractors switch from federal-funded projects to state-funded construction, there is no statistically significant difference in bid prices.²⁶

In Pennsylvania, Dr. Howard Wial of the Keystone Research Center (KRC) examined changes in public school construction bids during a mid-to-late 1990s period in which Pennsylvania's prevailing wage and benefit standards were lowered substantially, especially in rural areas.²⁷ KRC found no association between the number of occupations in which the prevailing wage level was lowered and the price per square foot of school of construction bids. If anything, construction bids appeared to go up *more* in areas where prevailing wages were lowered more.

Taken together, the studies examining the effects of decreases in, or the elimination of, prevailing wage laws reveal that these changes are not associated with reduced construction costs. These studies corroborate evidence from other sources that the increase in construction professionals' skills and productivity, and more efficient use of materials, offset higher labor costs.

The Impact of Prevailing Wage Laws on Training, Safety, and Benefits

While prevailing wage laws do not impact costs, they do impact other variables in ways that support "higher road" – high-skill, high-productivity, efficient – construction industry competition.

Training.

Construction workers have portable skills and often move from employer to employer as they finish up one project and begin work on another. Worker mobility and skill portability pose a dilemma for construction employers: while they need skilled workers, it is difficult to justify training someone who may walk out the door to work for the competition. If many employers are reluctant to invest in training

²⁵ See Kevin Duncan, "Do Construction Costs Decrease When Davis-Bacon Prevailing Wages Change from Union to Average Rates?" Working Paper, Colorado State University-Pueblo.

²⁶ See Kevin Duncan, "Do Federal Davis-Bacon and Disadvantaged Business Enterprise Regulations Affect Aggressive Bidding? Evidence from Highway Procurement Auctions." Scheduled to appear in Issue 3 of the *Journal of Public Procurement*, 2015.

²⁷ Howard Wial, *Do Lower Prevailing Wages Reduce Public Construction Costs?* (Harrisburg: Keystone Research Center, 1999); online at <http://keystoneresearch.org/publications/research/do-lower-prevailing-wages-reduce-public-construction-costs>.

because workers might leave, the end result may be a low overall investment in training. Economists call this outcome a “market failure.”

Prevailing wage laws can help reduce the tendency to underinvest in training through several mechanisms. Most important, these laws reduce the potential for small, low-wage firms that invest little in training to outbid more responsible firms that invest large amounts in apprenticeship training. Second, since starting apprentices typically earn only 50% to 60% of the responsible wage level for experienced workers, firms have an incentive to include some apprentices in crews on public jobs, as long as it lowers productivity less than it lowers compensation. Thus prevailing wage laws tend to lead to significant use of apprentices, and significant investment in apprenticeship, on state construction jobs.

Consistent with the importance of these mechanisms, Cihan Bilginsoy found more investment in apprenticeship in states with prevailing wage laws when he analyzed data from the U.S. Bureau of Apprenticeship and Training.²⁸ In New Hampshire, a 2012 study found that there were 690 apprentices enrolled in joint labor-management apprenticeship programs at that time. No records were available on apprenticeship training by non-union firms.²⁹

Worker Safety.

While construction workers represent just over one in 20 of all workers, they account for about one in five workplace fatalities and one in 10 workplace injuries.³⁰ In analysis of the U.S. Bureau of Labor Statistics Survey of Occupational Injuries and Illnesses, Hamid Azari-Rad found that the existence of prevailing wage laws was associated with fewer injuries and reduced worker compensation costs.³¹ Azari-Rad concludes that construction is safer in state with prevailing wage laws because these laws encourage training, promote the retention of experienced workers and create an environment of increased compliance with workplace safety and workers’ compensation rules and regulations. Absent these laws, a corrosive competitive environment can develop where contractors seek a competitive advantage by using young, inexperienced and sometimes desperate workers – a deadly mix in a dangerous industry.

Health and Pension Benefits.

Prevailing wage laws also encourage the provision of health and pension benefits by establishing a minimum contribution towards fringe benefits. By setting a minimum contribution, these provisions prevent bidders from gaining a cost advantage by not providing benefits. Given this, it is not surprising that the high-quality economic research corroborates our earlier finding that states with effective

²⁸ Cihan Bilginsoy, “Wage Regulation and Training: The Impact of State Prevailing Wage Laws on Apprenticeship,” in Azari-Rad et al., *The Economics of Prevailing Wage Laws*.

²⁹ Thomas J. Kriger, *Analysis of Associated Builders and Contractors*, National Labor College Working Paper, May 31, 2012, pp. 74-75, online at http://www.knowyourabc.com/ULWSiteResources/abc/Resources/file/TJK_Reports/ABCResearchReport-FINAL5-31-12.pdf

³⁰ In recent years, the construction industry’s share of fatalities and of employment share have fallen somewhat. In 2009, there were 816 fatalities in construction out of 4340 in all industries; see <http://www.bls.gov/news.release/cfoi.t02.htm>.

³¹ Hamid Azari-Rad, “Prevailing Wage Laws and Injury Rates in Construction,” in Azari-Rad et al., *The Economics of Prevailing Wage Laws*.

prevailing wage laws are more likely to have both a pension plan and health insurance than workers in states without such laws.³²

As noted earlier, research documents that when construction workers do not have health benefit coverage through their job, this can end up increasing the costs of publicly subsidized health care including “uncompensated care” provided by emergency rooms.³³

³² Jeffrey S. Peterson, “Health Care and Pension Benefits for Construction Workers: The Role of Prevailing Wage Laws,” *Industrial Relations* 39(2): 246-264, April 2000.; Mark A. Price, “Pension and Health Insurance Coverage in Construction Labor Markets,” Azari-Rad et al., *The Economics of Prevailing Wage Laws*.; Mark A. Price “State Prevailing Wage Laws and Construction Labor Markets”, Dissertation: University of Utah, December 2005.

³³ See Waddoups, “Health Care Subsidies in Construction: Does the Public Sector Subsidize Low Wage Contractors?” in Azari-Rad et al., *The Economics of Prevailing Wage Laws*.

The Voice of Construction Industry Leaders in New Hampshire

We now turn to findings from open-ended, semi-structured interviews with 14 New Hampshire participants in the construction industry: contractors, state officials knowledgeable about contracting, and labor union representatives. Open ended interviews are a standard social science methodology for gaining qualitative understanding of an issue, and a powerful complement to quantitative and statistical analysis. Given our small, non-representative sample, these interviews are not the same as a statistically valid representative survey. Their purpose is not to provide estimates of the share of contractors and other stakeholders with particular views. Their purpose in this report is to generate hypotheses and insights that can be used to make sense of findings from our economic impact analysis and review of the literature.

Based on their experience with state low-bidding procedures in the absence of a prevailing wage law, these stakeholders believe that a prevailing wage law would benefit the state and the industry by discouraging low-road competition. The observations of these industry leaders are consistent with the findings from quantitative and statistical analysis of states with and without prevailing wage laws.

Prevailing Wage Laws Counteract State Low-Bid Contracting Requirements

The dominant view of those interviewed is that, in the absence of any constraint on low-wage competition, state low-bidding laws are counterproductive. In the words of one contractor, “low bidder is not low responsible bidder.” While there is a requirement that contractors be “qualified,” industry participants say these requirements are not stringent enough to prevent “low-ball” bids. According to a contractor: “You can get folks bidding that have more nerve than brains.”

State procurement officials as well as contractors maintain that some low-ball contractors specialize in pursuing “change orders” – identifying places where the original project bid specifications were not sufficiently detailed and then negotiating additional reimbursement to cover the cost of work beyond the original specifications. According to one electrical contractor, “some electrical contractors bid low then chase extras, so at the end of the day the total cost is where we were. After a ton of paperwork and a six or seven month court procedure, the cost is the same as the realistic, responsible bids.” State officials say they hold their breath when they open bid prices because they want to avoid certain contractors that are, on paper, qualified.

The emphasis on up-front bid price alone, industry stakeholders say, means that some good contractors won’t bid on state jobs. “The number one impact for the state of having to take the lowest bid is that it reduces the number of talented contractors bidding state projects. A low bid policy means that what you get is the bottom feeders bidding against each other for these projects – and a lower quality project.”

The reluctance of quality contractors to bid state jobs is exacerbated by the fact that, after an award, the winning general contractor sometimes drops a subcontractor (e.g., electrical, mechanical or plumbing) included in a bid, finding a new subcontractor by “shopping” the original subcontractor bid and using that as the high bar so that the general contractor can obtain higher profits. “You may be low on bid day but not necessarily get the job. Because of the way our procurement laws are, it is a nasty business and the state of New Hampshire suffers for it.” According to a second contractor: “A lot of the best contractors in New England won’t bid state jobs because of the job shopping; they would

rather do private downtown jobs in Boston.” According to a third contractor: “Currently it’s the ‘Wild West,’ because contractors keep shopping the job...”

At different points in time, contractors and building trades union officials say different contractors may emerge that frequently bid lower than other contractors but then rely heavily on “independent contractors,” unskilled temporary agency workers, “apprentices” (although not always supported by quality training and mentoring), or other unskilled, vulnerable workers – as well as change orders – to achieve profits for the contractor. Compared to the 1980s and earlier, there are now a large number of temp agencies in the state of New Hampshire (one source estimated 30-40) that hire construction workers, which increases the availability of low-wage, low-skilled labor.

According to one contractor, “No one knows the quality of worker they are getting from the temp agency. If they were any good, they’d be working full-time at a contractor. Some contractors take advantage of their people. They overload the apprentice ratio. They pay their top guys decent money but then hire out of Labor Ready guys who don’t know anything. Lead guys have to crack the whip and make sure everything is done properly.”

Low-bid requirements and low-ball contractors may lead to other cutting corners that increases costs for the state long term. One contractor gave an example of a job for the National Guard on which the contractor used a lower-quality concrete mix with twice as much fly ash as in the original specifications. While this saved the contractor money it also made the concrete weaker so that it failed strength tests. “While the lay person can’t see the difference of relying on lower-quality contractors, if you talk to different owners [construction customers], they’ve seen nightmare after nightmare.” Heavy reliance on contractors, according to industry participants, “...can lead to cheating of workers and also on workers’ compensation.”

Some industry participants believe that the Great Recession and subsequent slow economic recovery exacerbated the negative consequences of the state’s low-bid contractor procedures. “The downturn increased the bottom feeding a lot,” said one electrical contractor.

A state prevailing wage law, according to New Hampshire industry participants, can help counter the tendency of state low-bid contracting to result in counter-productive price competition. Such a law creates a “level playing field” and places a reasonable floor on wages and benefits on the project. According to one contractor, “Contractors prefer to bid prevailing wage public jobs because the fly-by-night contractors won’t be in the mix...”

Another interviewee said: “With prevailing wage, there is an enforced disbarment process of contractors that violate the law. As a result, you end up with more participation from a better class of contractor. Prevailing wage cuts out real low-ball contractors – two guys in a pickup truck – that you might not want participating on a state contract.”

Added another industry participant: “What we find with prevailing wage projects is that the law guarantees that the worker has recourse if he’s cheated.”

Prevailing Wage Laws and the Quality of the Construction Workforce

New Hampshire industry stakeholders interviewed believe that a prevailing wage law is particularly needed as the industry recovers from its deep, long downturn and faces a growing skill shortage. During the extended downturn that began in 2007, apprenticeship programs let in substantially fewer people each year and a lot of good, young people left the industry, creating what one official called “a perfect storm” with regard to skill shortages now that the industry is recovering.

There is a general consensus in the industry today that it is difficult to recruit good workers. According to one contractor: “Everybody complains that we can’t get good people...The industry is going to crash and burn if we don’t pay to attract better people.”

The same contractor added: “There are a lot of good people in the construction, but the perception at a young age is not positive. We too often get the leftovers. That’s not a good position for an industry to be in.” Another contractor said: “Why come out of high-school and work in the mud for \$10 per hour – or less? Young workers don’t want to get their hands dirty.” A prevailing wage law would substantially reduce the number of jobs on state projects paying close to \$10 per hour and exert upward pressure on wage and benefit standards throughout non-residential construction.

Concern about the quality of new recruits is heightened by the awareness that, whatever the perceptions, most construction work requires significant skills. As one industry official said, “You don’t want someone working on a boiler who doesn’t know what they are doing; or building the backbone of your building; or working on a life-saving sprinkler system.”

By relieving short-term downward pressure on wages and benefits, a prevailing wage law can make it easier to attract more qualified recruits. According to one contractor: “The industry hasn’t been paying a fair wage. That’s a huge problem. The industry needs to pay a fair wage to attract the right people. That’s why I believe in prevailing wage.”

Prevailing Wage Laws and Construction Costs

In the view of New Hampshire industry participants, the impact of prevailing wage laws on the quality of construction contractors and the quality of construction workers mean that it will not increase costs.

According to one contractor: “Will a prevailing wage increase the cost of public construction? No. If you attract better people, it will ultimately bring down the costs. If we continue to get lower-skilled workers, the cost is going to go up because it’s taking longer to get the work done – you operate less efficiently.” The same contractor added that higher wage and benefit standards will force contractors to reorganize their jobs to keep costs down, “so cost will level off because people will become more efficient.” Customers, he added, should get a higher quality product in the end.

Added another interviewee: “Higher wage people – there’s a value in that. Somewhere along the road we made cost the most important thing in the world. It’s value, no different than buying a car.” He added: “The guy who does things with less qualified people and cheaper materials may be cheaper. But low bid is not low *qualified* bid. There’s got to be a happy medium.”

Prevailing Wage Laws and Use of Local Contractors and Workers

Contractors interviewed also suggested that prevailing wage laws impact both where New Hampshire workers come from and whether the most skilled construction professionals choose to work in New Hampshire. While most workers employed by New Hampshire contractors come from New Hampshire, you get a few from Vermont and Maine because wages tend to be slightly higher in New Hampshire. By contrast, contractors in recent years have lost some of their best workers who can earn more to the south. "We have lost a lot of our core people over the past two-and-a-half years once the economy and workload in Massachusetts picked up. Some people who were with us for 12-15 years just left."

Conclusion

New Hampshire's construction industry is now at a fork in the road. State policymakers have the ability to decisively influence whether the state goes down the low road or the high road.

To this juncture, the negative impacts of New Hampshire's lack of a prevailing wage law may have been mitigated by its proximity to a relatively "high road" Massachusetts construction industry, its being surrounded by other states that at least have weak prevailing wage laws, and limited pools of low-wage vulnerable labor.

The Great Recession and the long, slow recovery – which even today leave New Hampshire construction employment 20% below its peak – have reinforced cut-throat competition for business. They have also contributed to skill shortages, with little investment in apprenticeship for much of a decade, and a significant aging of the construction industry workforce that will increase rates of retirement. The residential housing boom right before the Great Recession led to the first significant signs of low-wage immigrant penetration of the state's construction industry.

If the current recovery maintains its momentum, construction companies will have more demand and more need for labor in the next few years. The question is how they will expand their capacity and their workforce. Will they invest broadly in new, young construction professionals, leading to high-wage, high-skill, and high-productivity competition? This could incubate a new generation of entrepreneurs, ready in a few years to move out of the trades to start their own New Hampshire businesses. It could also incubate future supervisors, superintendents, and middle managers – the talent need to position more New Hampshire firms to grow at the high end of the market where quality and sophistication trump low costs and low wages? Or will New Hampshire businesses choose the low-road?

Today, in the absence of a prevailing wage law, New Hampshire's state low-bid procurement procedures push towards the low road. This report documents that a state prevailing wage law would push towards the high road, with more business for New Hampshire contractors that meet local wage and benefit standards and use local workers. Prevailing wage boosts economic activity, supports jobs and higher incomes across New Hampshire, increases state and local tax revenues revenue. A prevailing wage law would improve economic efficiency. And, critically, prevailing wage does not make state construction more expensive.

In a new economy in which lawmakers struggle to find ways to grow the middle class, a prevailing wage law is a "proven policy." It is time for lawmakers to choose the high road and to enact an effective prevailing wage law.

Testimony in Support of SB 271

David Pelletier

Business Manager

Plumbers and Pipefitters Local Union 131

President NH Building and Construction Trades Council

Good afternoon, Mr. Chairman and Members of the committee.

My name is David Pelletier; I am the president of the NH Building and Construction Trades Council. We represent over 2000 members working in various construction trades. I am here to testify in support of Senate Bill 271.

First off, this bill is not about union vs nonunion construction here in NH. SB 271 will not guarantee state work will be done by union signatory contractors. What it will guarantee is that when the State spends taxpayer dollars on construction, workers will be paid a fair wage and benefit.

SB 271 utilizes the US Department of Labor, Federal Davis Bacon Rates as the benchmark for wages and benefits. Those wage and benefit rates are set through surveys of construction wage and benefits by first looking at the type of construction and finally specific trade throughout NH. For a wage to prevail, more than 50% of the workers in a county must be paid that particular wage and benefit rate. If no single rate prevails the rate is determined by a weighted average of reported wages paid. In more cases than not, the union wage and benefit rate is higher than the prevailing wage. The non-union contractor would maintain the flexibility to compete for State construction projects.

In New Hampshire, current state law requires contracts to go to the lowest bidder. In construction, that often means the contractor who pays their workers the least in wages and benefits. We have all seen what driving wages down has done to the construction industry; try finding a contractor to work on your home or business. The current workforce is graying and young people are encouraged to seek other career opportunities. A prevailing wage will show young people considering a career in the construction trades that the state values them and their expertise.

Having a prevailing wage establishes a baseline wage for state construction and discourages the race to the bottom that has been so prevalent in the construction industry. Prevailing wage laws encourage the use of apprenticeship training programs not only as a way to cut crew cost but to build a skilled and talented workforce for the future. Creating a highly skilled and motivated workforce enables contractors to often bring the job in on time and under budget.

Where the cost of labor is fixed contractors work on efficiency and planning to win local bids. A highly skilled and efficient workforce can save contractors material cost and time. In return we can assure that local construction workers have the wages to sustain themselves, their families and support their local communities.

PREVAILING WAGE LAWS: PUBLIC INTEREST OR SPECIAL INTEREST LEGISLATION?

George C. Leef

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies, much less to render them necessary.

—Adam Smith (1776)

The public policy of the United States is broadly in favor of competition. Our antitrust laws are premised on the idea that in the absence of such legislation private interests would seek to create monopolies, fix prices, restrain trade, and stifle competition. Moreover, the federal government, as well as the states and municipalities, has laws mandating competitive bidding on government contracts to guard the public against “sweetheart deals” that squander tax dollars. Open competition, in fact, is usually the undoing of those conspiracies against the public that Adam Smith saw as so prevalent.

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One glaring exception to the general rule favoring competition is "prevailing wage" laws. Those laws mandate that on government construction projects, the labor component will not be subject to competitive bidding; rather, the wages paid to the various classes of construction labor are set by government officials at rates determined to prevail in the job site's locality—typically, prevailing union wages. Labor wages and benefits are thus removed from competition by operation of law.

Are prevailing wage laws a reasonable deviation from our general rule in favor of competition? Do they actually reflect the public interest, with benefits that outweigh the costs? Or are they merely an instance of rent seeking by a politically potent interest group, using its influence to use the law to enforce a price fixing scheme? This article concludes that the latter of those questions captures the truth. Prevailing wage laws favor special interests by concentrating benefits and dispersing costs. They ought to be repealed.

The Davis-Bacon Act

Enacted in 1931, the Davis-Bacon Act (40 U.S. Code § 276) is the federal prevailing wage statute, requiring that contractors on federal construction projects must pay at least the wages and benefits found to be "prevailing for the corresponding classes of labors and mechanics" employed. The statutory language does not specify how this determination is to be made, leaving that to the Secretary of Labor. The "prevailing" rates do not necessarily have to be those of construction unions, but often they are. The Labor Department's method for determining "prevailing" rates has been widely criticized for giving far too little weight to lower, nonunion rates that many construction workers in the area receive. Glassman et al. (2008: 38), for example, conclude that the wage survey method in use "employs unrepresentative survey and measurement methods that produce wages estimates that are biased upward." Precisely how the government sets the rates, however, is much less important than the fact that contractors are forbidden to pay workers less even if their workers would accept a lower rate. The devil here is not in the details, but in the *concept*.

The genesis of the Davis-Bacon Act (named for its sponsors, Pennsylvania Senator James Davis and New York Representative Robert Bacon, both Republicans) was the construction of a Veterans

Bureau Hospital on Long Island in 1927. The contractor who won the bid was from Alabama and employed many black workers. Representative Bacon was bothered that construction workers in his district had lost out on the job and he introduced a bill that would prevent the use of migrant labor on federal projects. The bill did not pass in that session, but he kept reintroducing it.

In 1930, with the nation's economic depression deepening rapidly, Bacon's bill found strong support in the House and Senate. The hearings and debate on the legislation revealed some ugly racial overtones with comments on how "cheap colored labor" was driving down wages of white workers (Bernstein: 1993). Proponents played on racial animosity to increase support, but the skin color of the construction workers competing with local firms was of little importance; the very fact of competition was the problem. The bill was passed and President Herbert Hoover signed it into law on March 31, 1931. His motives had nothing to do with the race of the workers competing for jobs. Rather, the bill appealed to him because it was consistent with his theory that high wages caused prosperity and conversely that competition led to wage reductions that were exacerbating the depression.¹

State and Local Prevailing Wage Laws

Today 31 states and the District of Columbia enforce prevailing wage laws. Most were enacted during the New Deal but some predate it (e.g., New York's law, which was passed in 1897), and some were enacted after World War II, with Minnesota's being the most recent (1973). Nine states have never had such laws (Georgia, Iowa, Mississippi, North Carolina, North Dakota, South Carolina, South Dakota, Vermont, and Virginia), and in nine others they have been repealed (Florida, Alabama, Utah, Arizona, Colorado, Idaho, New Hampshire, Kansas, and Louisiana). In Oklahoma, the prevailing wage law was held to violate the state's constitution in 1995 on the grounds that it impermissibly delegated authority to federal officials (*Oklahoma City v. State ex rel. Department of Labor*, 918 P.2d 26) and has not been enforced since. Prior to that litigation, the Oklahoma Commissioner of Labor had uncovered widespread fraud

¹On Hoover's belief in the theory that high wages cause prosperity, see Rothbard (1963: 182–83).

in the submission of data on which prevailing wage determinations were made (Cook 2005: 219). In addition, many cities, particularly those where organized labor is politically strong, have prevailing wage laws.

The state prevailing wage laws vary greatly. In states where organized labor is relatively weak (e.g., Nebraska), the wage determinations are close to the competitive market rates. Conversely, in states where organized labor is powerful (e.g., New Jersey), the prevailing wage law mandates rates that are close to or even exactly the same as construction union rates.

There would appear to be a conflict between state and local prevailing wage laws, which suppress competition in bidding on construction work, and the pro-competition federal antitrust statutes. That conflict, however, is readily resolved. Only *private* conduct is subject to the antitrust laws. For example, price fixing by attorneys through a bar association was held to violate the Sherman Antitrust Act in *Goldfarb v. Virginia State Bar* (421 U.S. 773 [1975]) since the minimum fee schedules for legal work at issue were not mandated by state law. If, however, a unit of *government* acts to suppress price competition, that is beyond the reach of the Sherman Act, as the Supreme Court held in *Parker v. Brown*, (317 U.S. 341 [1943]). Prevailing wage statutes are therefore legally permissible and organized labor has used them to diminish competition.

The Effects of Prevailing Wage Laws: Higher Costs and Lower Efficiency

The most salient effect of prevailing wage laws is to raise the cost of public construction. They do so in several ways. First, by preventing competitive bidding on the labor costs of public projects, a greater outlay of tax dollars is required to pay the construction workers employed than would otherwise be necessary. Second, prevailing wage laws often interfere with efficient labor utilization because their enforcement mandates adherence to union work rules. Third, they impose additional compliance costs, including litigation, on contractors. And fourth, prevailing wage laws require additional administrative costs in determining what wage rates “prevail” and also adjudication and enforcement costs.

Numerous studies have examined the impact of prevailing wage laws and found that they add significantly to the cost of government

construction projects; conversely, when such laws are suspended or repealed, costs fall.

In Michigan, a state with a particularly severe and expansive prevailing wage law, a federal district court ruled in 1994 that the law was in conflict with the federal Employee Retirement Income Security Act (*Associated Builders and Contractors v. Perry*, 869 F. Supp. 1239). That decision was overturned by the Sixth Circuit Court of Appeals in 1997 (*Associated Builders and Contractors v. Perry*, 115 F.3d 386), but the 30-month time period while the law was suspended allowed for an excellent “apples to apples” comparison. Economist Richard Vedder (1999) studied the effects of having no prevailing wage law for that period. He observed that on various state construction projects that were bid under open competition after the suspension of the law, nonunion contractors substantially underbid union contractors. In one school renovation project, for example, the winning non-prevailing wage bid was 16 percent less than the lowest union bid (Vedder 1999: 14). Vedder concludes that in 1995 the state saved approximately \$275 million in construction outlays because competitive bidding prevailed rather than the “prevailing wage” law.

A subsequent study in Michigan by Paul Kersey (2007) examined the difference between the “prevailing rates”—which in Michigan must be union rates—and the wages of workers in the same lines of work as determined by wage surveys conducted by the U.S. Bureau of Labor Statistics (BLS). He found that on average, the rates that were mandated on state construction projects were 39 percent higher than the median wages in the construction industry (Kersey 2007: 9). For example, the median hourly rate for carpenters in Wayne County (the Detroit area) in 2005 according to the BLS, adjusted to include fringe benefits, was \$26.33, but the prevailing rate under Michigan law was \$41.37 (Kersey 2007: 24). If the state had allowed competitive bidding, the costs for virtually every class of construction labor would have been significantly lower. Kersey (2007: 18) also estimates that if Michigan municipalities had not imposed prevailing wage requirements, they would have saved \$16 million that year.

Ohio is another state with a strong prevailing wage statute and, in 1997, the legislature voted to exempt school construction and renovation work from it. Like Michigan, Ohio bases its prevailing wages exclusively on union collective bargaining contracts, so one would

expect that the suspension would have resulted in substantial savings. In 2002, the state legislature ordered the Ohio Legislative Service Commission to study the impact of the suspension on school construction costs. The commission's report concluded that by allowing competitive bidding Ohio schools had saved \$487.9 million, which was 10.7 percent of construction spending (Ohio Legislative Service Committee Senate Bill 102 Report: 22–25).

California went in the opposite direction in 2001, extending the coverage of its prevailing wage law to include the construction of state subsidized housing. In a study of 205 low-income housing projects in the state, Dunn, Quigley, and Rosenthal (2005) concluded that the imposition of prevailing wage requirements raised construction costs by at least 9 percent and as much as 37 percent. Under the authors' mid-range estimate, imposing the prevailing wage led to a decrease in production of low-income housing units on the order of 3,100 units per year. The authors point to the conflict between state law and federal policy: "In this way, state regulation of construction wages conflicts with the federal goal of increasing access to new housing for California's low-income households" (Dunn, Quigley, and Rosenthal 2005: 155).

A recent analysis done for the Citizens Housing & Planning Council in New York City on the prospective application of prevailing wage to low-income housing construction similarly found that extending the prevailing wage mandate would have a strongly adverse impact on the production of housing units and also on the largely minority labor force that has been engaged in that work. Prompted by bills in both the New York State Legislature and the New York City Council that would expand the reach of prevailing wage mandates to low-income housing construction and renovation, the study concludes that adding a prevailing wage requirement would significantly raise costs without any offsetting benefit (Roistacher, Perine, and Shultz 2008).

It notes the salient fact that in New York City there is a very wide differential between union and nonunion construction wages. When fringe benefits are included, the median union wage was 74 percent higher than the median nonunion wage. Moreover, the wage differential does not completely capture the added costs because there are other less easily quantified cost increases involved. Finally, taking account of "the cost of compliance, job reclassification and workforce

composition would further increase the gap between prevailing and non-prevailing wage construction projects" (Roistacher, Perine, and Shultz 2008: 4). Including all cost elements, the authors conclude that if state or city government were to impose a prevailing wage requirement, costs per unit would increase by 25 percent, driving the cost of a typical unit from \$250,000 to \$312,000. Amortizing the additional expense would call for higher rent—approximately \$400 per month, leading the authors to comment, "To the extent that subsidized housing programs are designed to reach households which cannot afford market rate housing, an additional \$400 per month is significant" (Roistacher, Perine, and Shultz 2008: 7).

The authors of that study also considered a social cost of prevailing wages—namely, the impact on minority firms and workers. They found that there is continuing although subtle discrimination in favor of white construction workers in New York unions and that the imposition of prevailing wage requirements is a large hindrance to minority-owned firms. "Few such firms," they write, "have the back-office capacity to comply with the complex reporting and oversight requirements of prevailing wages" (Roistacher, Perine, and Shultz 2008: 15). Consequently, they conclude, if New York were to mandate the payment of prevailing wages on low-income housing projects, many black and Latino workers who currently are employed on such projects would be thrown out of work.

Studies on the impact of the Davis-Bacon Act on federal construction have consistently found that it adds significantly to costs. Gould and Bittlingmayer (1980) calculated that Davis-Bacon added between \$0.5 billion and \$1 billion per year to the cost of federal construction—in current dollars, between \$1.3 billion and \$2.6 billion. The authors broke the costs down as follows: use of higher-paid union rather than nonunion labor, \$228 million to \$513 million; the fact that Davis-Bacon prevailing wage determinations often lead to paying unionized workers even more than they usually receive on non-Davis-Bacon projects, \$69 million to \$284 million; administrative costs contractors must bear to comply with the statute, \$190 million; and the cost to taxpayers of supporting Department of Labor personnel assigned to prevailing wage determination and enforcement, \$12 million (Gould and Bittlingmayer 1980: 68).

In a study that closely examined the impact of Davis-Bacon on construction in rural areas, Fraundorf, Farrell, and Mason (1984)

estimated that the law increased costs by 26.1 percent. That study compared federal construction projects subject to Davis-Bacon with similar private projects that were done with fully competitive bidding, interviewing the contractors to obtain a detailed picture of their respective costs and practices. The authors explain that their findings show Davis-Bacon to have a greater impact on costs than other studies, because they looked not only at wage differentials but also at how the prevailing wage mandate affects labor efficiency. They note that the Department of Labor usually has no prevailing wage classification for "general building mechanics" and explain the significance of that, writing, "Contractors must then pay as if the appropriate skilled craftsman, not the lower-wage semi-skilled worker, had done each task. Also, flexibility is reduced as contractors avoid extensive record keeping by confining general mechanics to one type of work. The result is that total labor costs increase by more than the wage rates for any one craft" (Fraundorf, Farrell, and Mason 1984: 145).

More recently, in 2000 the Congressional Budget Office estimated the savings in federal outlays that would be occur if Davis-Bacon were repealed at \$10.5 billion from 2001 to 2010, stating, "Repealing the Davis-Bacon Act would allow the federal government to spend less on construction. In addition, it would probably increase the opportunities for employment that federal projects would offer to less skilled workers" (Congressional Budget Office 2000: 283).

The most recent study to calculate the impact of Davis-Bacon's elimination of wage competition (Glassman et al. 2008: 50) concludes that costs on projects subject to it are increased by 9.9 percent.

In sum, preventing wage competition on federal construction projects does exactly what one would expect—it increases the cost of those projects.

Assessing the impact of prevailing wage mandates on labor efficiency is more difficult than measuring the difference between market and "prevailing" rates, but nevertheless important. That point was stressed in the study by Fraundorf, Farrell, and Mason (1984). The federal law and the more restrictive state statutes impose strict job classifications that are integral to construction unions. Nonunion contractors generally are much more flexible in their use of labor, employing more helpers and having workers do a wider array of jobs on the site than unions permit. As Philip Abrams, a former president of the nonunion construction trade association Associated Builders and Contractors, testified before a U.S. Senate committee,

The problem with restrictive work practices is difficult to quantify, but in general, if union wages have been determined and published, any such work practices that are part of union collective bargaining agreements are then made a requirement in the name of "area practices" and are the responsibility of the contractor. The requirement, basically, is that skilled people do unskilled work and arbitrary rules like "tools of the trade" determine the hourly wages that a working person receives. For instance, in one particular project, the fact that laborers were using hammers caused the Department of Labor and the Department of Housing and Urban Development to conclude that the workers should be paid as carpenters, even though they were in fact doing laborers' work.

The sum and substance is that you lower productivity on construction sites by enforcing featherbedding union work practices, not by allowing "helper" job categories, and by refusing, for example, to let unskilled people nail up insulation or carry pieces of steel or pull wire or unload plumbing fixtures.

The worst and most pernicious part of these Department of Labor requirements is that they are unwritten. You are simply expected to comply with these area practices which are enforced by the contracting officer and DOL arbitrarily and without any previous notice to the contractor [Testimony before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, May 2, 1979: 323-4].

A crucial difference between union and nonunion construction is the considerable use the latter makes of "helpers" on the worksite—that is, unskilled or semi-skilled workers who assist the skilled tradesmen by doing much of the "grunt work." In the course of doing so, the helper often learns the trade and thereby becomes a potential competitor. As Herbert Northrup (1992: 422) explains, "By accepting less remuneration than union journeymen, helpers restrain union wage acceleration. The determination of construction unions to eliminate such competition . . . has been at the heart of negative union policy towards helpers for almost a century." By hindering the use of helpers, Davis-Bacon and the more pro-union state laws have been a large part of that policy by minimizing one of the main efficiency advantages of nonunion contractors.

Prevailing wage laws are meant to eliminate competition in one of the main elements in construction—namely, the cost of employing the necessary labor. There is no doubt that they accomplish that and, in doing so, they add significantly to public construction costs.

Public Interest Arguments for Prevailing Wage Laws

By the 1970s, prevailing wage laws were starting to come under attack as special interest legislation that harmed taxpayers and lower-cost competitors. Advocates of the laws responded by advancing several public interest rationales for them: improved safety, higher quality work, less “harmful competition,” increased earnings and taxes, and improved worker training.

Improved Safety

In a working paper published by the Department of Economics at the University of Utah, which was funded by organized labor, Phillips et al. (1995) argued that the repeal of prevailing wage laws would lead to increases in injuries and fatalities in construction work. The authors contended that in the absence of prevailing wage laws, construction firms would tend to cut corners and employ more inexperienced workers who would be prone to accidents. If all prevailing wage laws were repealed, they estimated that there would be an additional 76,000 construction workplace injuries annually, with approximately 30,000 of them sufficiently serious to require time off work for the individual to recover, and between 130 and 150 fatalities.

The argument that eliminating wage competition in bidding on construction projects is an efficient way of lowering accident rates has come under severe criticism. Responding to the Utah study, Armand Thieblot (1996: 17) writes,

The theoretical construct of this claim is derived from two premises: the rate of injuries decreases substantially as length of service increases; and large, experienced employers in construction have injury rates that are 80 percent lower than small-to-medium size contractors. The first of these claims is grossly misleading and the second is demonstrably wrong.

Thieblot calls the Utah study “complex, but flawed,” and shows that its projections regarding workplace accidents—based on only

two of the many relevant occupational categories—are refuted by actual data from the Occupational Safety and Health Administration. OSHA data show that accident rates did not increase in states that repealed their prevailing wage laws and also that accident rates are in fact higher in prevailing wage states than in states that never had such a law (Thieblot 1996:18–23).

The recent New York study on low-income housing also examined the safety issue and concluded that prevailing wage requirements do not affect the incidence of fatalities. It found that “in New York City, fatal construction accidents occur among union and nonunion workers (both residential and non-residential) in roughly the same proportion as there are union and nonunion workers in the city’s building construction labor force” (Roistacher, Perine, and Schultz 2008: 10). Imposing a prevailing wage mandate on low-income housing construction would not, therefore, improve safety in that sector.

It is not surprising that construction accident rates are scarcely affected by prevailing wage laws, since in the construction industry, union and nonunion firms are subject to the same safety regulations and have the same incentives to minimize their worker’s compensation insurance rates by maintaining a safe workplace. If construction safety (governmental as well as private sector) were a matter of concern, it would make far more sense to address this directly rather than through the roundabout and ineffective method of imposing a price floor on construction wage rates. Contractors with particularly bad safety records might, for example, be precluded from bidding.

Higher-Quality Work

Advocates of prevailing wage laws contend that the use of higher-wage labor on projects is partially compensated for by higher-quality work. For example, a paper published by the Fiscal Policy Institute in New York asserts, “The prevailing wage concept stems from a concern that unchecked competition among employers would lead to a less-skilled and less-productive workforce and to shoddy construction practices and unsafe public buildings and infrastructure” (Fiscal Policy Institute 2007: 17). Allegedly, employing only workers at prevailing wage rates minimizes poor work that will prove costly to the public in the long run. Thus, to insist on competitive bidding with regard to labor is to be penny wise and pound foolish.

That argument is no more persuasive than the safety argument. It is difficult to quantify improvements in work quality that might be associated with prevailing wage laws or to show that work quality diminishes without such laws. However, what evidence there is does not support the quality reduction hypothesis.

Ohio, after suspending its prevailing wage law with regard to school construction, sought to ascertain whether the suspension had led to a decrease in work quality. A study by the Ohio Legislative Service Commission (2002: 11) found that 91 percent of the school district officials surveyed stated that there was no change in the quality of work done while open bidding was allowed; of the remaining 9 percent, only 3 percent said that quality had fallen while 6 percent said it had improved.

The quality argument also is weak theoretically. Metzger and Goldfarb (1983) argue that since contractors have several margins for adjustment, compelling them to pay top dollar for labor may lead them to economize elsewhere, thus leading to no quality improvements. They write, "If one is concerned about the output quality, it is not obvious why price floors on only one input out of several should necessarily guarantee a quality improvement; even if output quality improves, there is no guarantee that the improvement could be achieved at a cost that is not excessive" (Metzger and Goldfarb 1983: 272).

Moreover, there is no reason to think that quality of workmanship necessarily rises or falls depending on the wage paid. An experienced mason, for example, is not likely to do a better job if paid at the "prevailing" wage than at the wage he usually receives. Finally, if quality of work is an issue, it can better be addressed directly, with careful monitoring of the work to see that it is done according to contract specifications, than by assuming that quality falls unless workers are paid the prevailing wage. It is instructive to note that in the private sector, where quality of work and adherence to specifications is at least if not more important than in government construction, given the strong incentive of owners to avoid financial losses, there is no trend toward voluntary adoption of prevailing wages in contracting. To the contrary, in the private sector, the use nonunion firms has been increasing for decades. In 1950 nonunion workers were only some 16 percent of the workforce, but by 2004 that figure had increased to almost 85 percent (Cook 2005: 639). If the prevailing wage concept were an efficient means of realizing high-quality con-

struction work, we would expect to see it used in the private sector, but we do not.

Less "Harmful Competition"

Prevailing wage advocates argue that the laws are beneficial because they stop what they call "harmful competition" that "slashes wages" and "undercuts standards." Terminology like that is indicative of special pleading rather than objective analysis, but the arguments must nevertheless be examined.

The Fiscal Policy Institute paper referred to above is one that attempts to show that prevailing wage laws only prevent "harmful" competition. The authors write, "Prevailing wage requirements help ensure that competition among contractors in bidding for construction projects is channeled into areas of overall cost efficiency, high productivity, and innovative methods and not unduly focused on driving down wages and benefits" (Fiscal Policy Institute 2007: 23). The authors of the Utah study voice the same ideas, saying, "Prevailing wage laws are intended to get the government out of the business of pulling down wages" and to "prevent the government from hiring labor at below-standard rates" (Philips et al. 1995: 67-68).

These contentions aim at getting people to believe that the ordinary process of competition is harmful when it occurs in the market for construction labor. Yet the arguments are badly flawed.

Consider first the idea that prevailing wage laws compel contractors to focus more intently on "good" competition rather than economizing on labor costs. There is a false dilemma built into that argument—namely, that contractors will either compete on the basis of labor costs or on the basis of efficiency and innovation. In fact, contractors seeking business (and not just on government construction projects) look at all the various ways they might gain an advantage over their rivals. Contractors who are able to procure labor at lower rates still have every incentive to maximize innovation and efficiency to win bids.

Second, allowing contractors to employ workers who will accept less than the "prevailing" wage does not "drive down" wages. It simply means that construction workers who are usually paid at the union scale will not always be employed on government projects. If a nonunion carpenter is usually paid \$30 per hour and his firm wins the bid and he gets to work on the project, *his* wages have not been

“driven down.” It is true that in the absence of prevailing wage laws, unionized firms will find it harder to win bids due to their high wage rates and that may, in turn, put downward pressure on union rates unless the firms can improve their efficiency—that is, focus more on “good” competition.

Third, the implicit assumption in this argument is that there is something sacred about union rates, but union wage scales are no more “standards” than are sticker prices on new cars or the fees that lawyers would like to receive for their services. They are merely the prices that the unions and their members *want to receive*. Allowing others to offer to sell for less is no more socially harmful than allowing car dealers to negotiate deals below sticker prices. In point of fact, it is not unusual for unionized firms to “undercut” their own rates when it is necessary to do so to win contracts.

Increased Earnings and Taxes

Perhaps the most astounding argument in the Utah study is that any savings from repeal of prevailing wage laws is more than offset by decreasing income tax receipts. Assuming a fixed amount of construction work, it is true that income tax collections from workers who previously benefited from prevailing wage laws will be slightly lower if they work at lower rates of pay. (The authors do not consider the possibility that savings from repeal of prevailing wage laws will increase other government or private spending, thus leading to higher tax collections elsewhere.) But that is not all that Philips and his co-authors contend. They maintain that repeal of prevailing wage laws lead to a decline in earnings across the *entire construction industry* (Philips et al. 1995: 32).

Even if that argument were correct, it still would not lead to the conclusion that prevailing wage laws are beneficial. The interest of the citizens of a state lies in obtaining whatever goods and services the government provides at the least cost, not in maximizing government revenues.

There is, however, no reason to accept the idea that repealing prevailing wage laws drives down the earnings of workers in the segment of the construction industry that is not subject to governmental stifling of competition. The Utah paper claims that repeal of prevailing wage laws leads to a “ripple effect lowering wages throughout the local construction industry” (Philips et al. 1995: 16). No direct evidence is provided to support that claim; nor do the authors give any

theory to explain how the market price of construction labor could be driven lower by virtue of the ending of the prevailing wage bonus for the subset of the construction industry engaged in government work. Philips and his co-authors speak of “overheated bidding” for government projects following the repeal of Utah’s statute in 1981 (a tendentious phrase that seems just to connote increasing competition), but they do not show that such competition did or could have any impact on construction wages where competition was already unrestrained.

Improved Worker Training

Advocates of prevailing wage laws often argue that in their absence, training of construction workers is inadequate. This argument begins with the premise that employment in the construction industry is less stable than in most industries and that workers are apt to move from company to company as jobs come and go. Consequently, it is said, employers have little incentive to invest in worker training because they probably would not capture the benefit of such training. The Utah study maintains that repeal of prevailing wage laws have “significantly lowered formal, organized, and quality training of construction workers. The effect is to lower training rates by about 40 percent” (Philips et al. 1995: 51). Construction unions, the argument continues, provide a reliable system of apprenticeships, but that system is undermined by the repeal of prevailing wage laws. Supposedly, therefore, the supply of well-trained workers depends on union training, which in turn depends on preventing competition in wage rates on government construction projects.

If that argument held true, it would point to a glaring market failure: that business firms in the construction industry would be unable to obtain the services of competent workers if it were not for a positive externality stemming from an anti-competitive intervention. In fact, however, there is no more a market failure in the training of construction workers than in the training of workers for any other occupation. Construction workers are trained in several ways other than union apprenticeship programs. The Associated Builders and Contractors trade group runs apprenticeship programs. Workers can also learn their skills at community colleges and private technical institutes. As noted earlier, nonunion contractors encourage on-the-job training for unskilled “helpers.” The idea that a state’s construction labor force would be undertrained in the absence of prevailing

wage laws flies in the face of experience. In states with no prevailing wage law and few construction unions (North Carolina, for example), the construction industry nevertheless competently builds the same array of things as are built in heavily unionized states with prevailing wage laws. Like the others, the training argument for prevailing wage fails.

Morgan Reynolds (1982: 307) calls the arguments for Davis-Bacon (and state prevailing wage laws) "high-sounding justifications" that "are a thin disguise for a law that brings home the bacon for organized labor." It is difficult to disagree with that characterization.

Conclusion

The purpose and effect of prevailing wage laws is to eliminate competition on labor costs on government construction projects. Bidders may search for the least-cost combination of other factors, but labor costs are fixed by decree. This suppression of competition is a substantial benefit to a small segment of the population, chiefly construction unions and workers, at the expense of the rest of society, which must pay more than would otherwise be necessary for projects subject to prevailing wage mandates.

Efforts by prevailing wage proponents to depict the laws as having some social benefit fail. Fixing the price of labor does nothing to increase safety, train new workers, promote quality or any other desirable objective. Nor is there any social benefit in "protecting" union wage standards and work rules from competitive pressure. Prevailing wage laws are special interest legislation trying to masquerade as wise public policy.

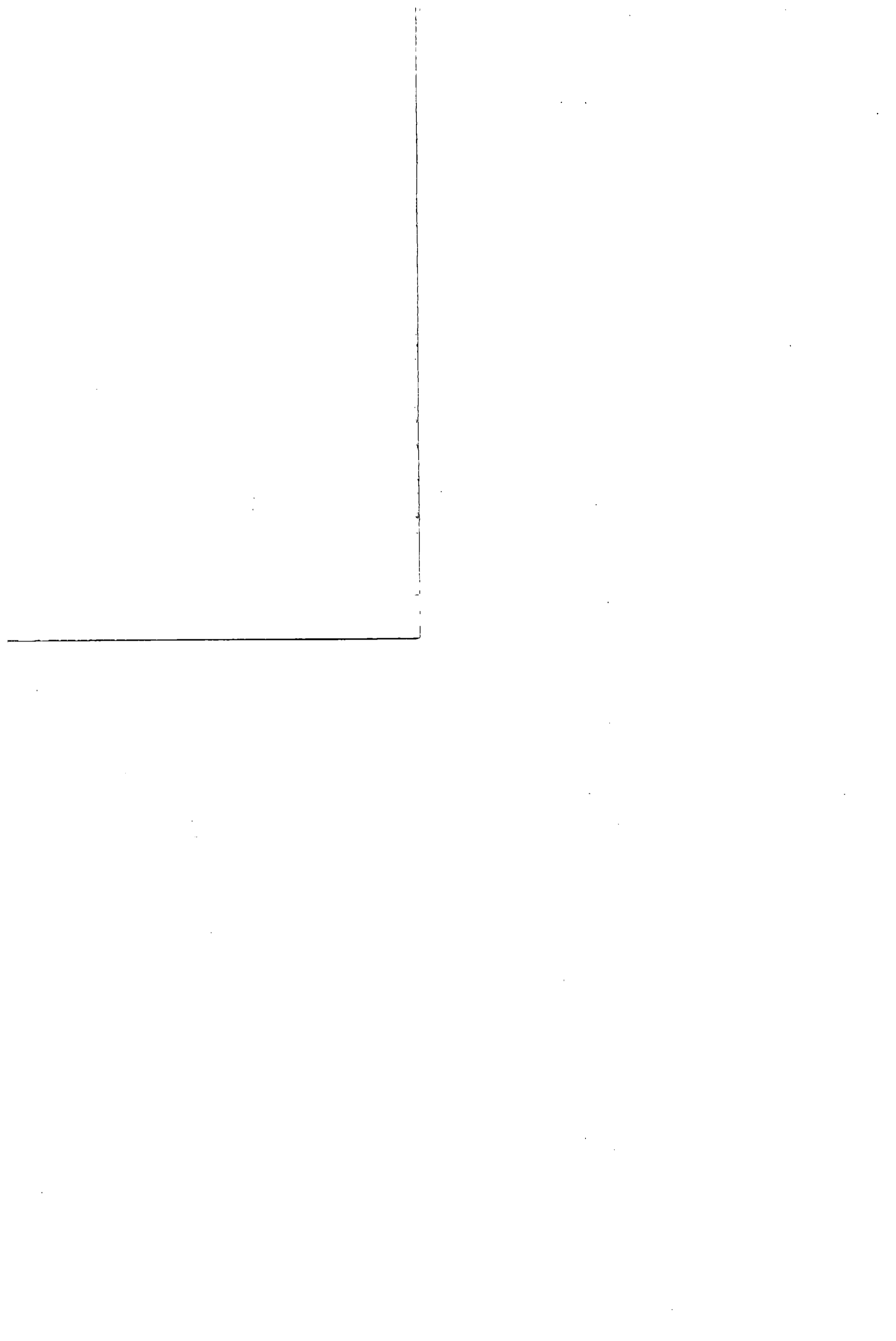
People prefer to minimize or eliminate competition in markets where they sell, while enjoying the benefits of competition in markets where they buy. Prevailing wage laws are one of the various approaches organized labor uses to shut down competition in labor markets. Adam Smith was correct: It is bad public policy for government to assist any group of sellers in their desire to fix prices and stifle competition. That is why all prevailing wage laws should be repealed.

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Voting Sheets

Senate Commerce Committee
EXECUTIVE SESSION RECORD
2019-2020 Session

Bill # 271

Hearing date: _____

Executive Session date: 3/5/19

Motion of: OTP Vote: 3-2

Committee Member	Made by	Second	Yes	No
Sen. Cavanaugh, Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sen. Morgan, V- Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sen. French	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sen. Morse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sen. Soucy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Motion of: OTP/A Vote: 3-2

Committee Member	Made by	Second	Yes	No
Sen. Cavanaugh, Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sen. Morgan, V-Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sen. French	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sen. Morse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sen. Soucy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Motion of: _____ Vote: _____

Committee Member	Made by	Second	Yes	No
Sen. Cavanaugh, Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Morgan, V- Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. French	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Morse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Soucy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reported out by: Cavanaugh

Committee Report

COMMERCE

SB 271-FN-LOCAL, relative to requiring prevailing wages on state-funded public works projects.

Ought to Pass with Amendment, Vote 3-2.

Senator Kevin Cavanaugh for the committee.

General Court of New Hampshire - Bill Status System

Docket of SB271

Docket Abbreviations

Bill Title: relative to requiring prevailing wages on state-funded public works projects.*Official Docket of SB271.:*

Date	Body	Description
1/25/2019	S	Introduced 01/03/2019 and Referred to Commerce; SJ 4
2/6/2019	S	Hearing: 02/12/2019, Room 100, SH, 01:00 pm; SC 10
3/6/2019	S	Committee Report: Ought to Pass with Amendment #2019-0873s , 03/14/2019; SC 13
3/14/2019	S	Committee Amendment #2019-0873s , AA, VV; 03/14/2019; SJ 9
3/14/2019	S	Ought to Pass with Amendment 2019-0873s, RC 14Y-10N , MA; OT3rdg; 03/14/2019; SJ 9
3/21/2019	H	Introduced 03/20/2019 and referred to Labor, Industrial and Rehabilitative Services HJ 11 P. 71
3/27/2019	H	==CANCELLED== Public Hearing: 04/03/2019 02:00 pm LOB 307
4/10/2019	H	Public Hearing: 04/17/2019 10:00 am LOB 307
4/17/2019	H	Executive Session: 04/24/2019 03:00 pm LOB 305-307
4/25/2019	H	Majority Committee Report: Ought to Pass for 05/08/2019 (Vote 12-8; RC) HC 23 P. 10
4/25/2019	H	Minority Committee Report: Inexpedient to Legislate
5/8/2019	H	Ought to Pass: MA RC 213-140 05/08/2019 HJ 15 P. 32
5/31/2019	H	Enrolled 05/23/2019 HJ 16 P. 51
5/31/2019	S	Enrolled (In recess 05/30/2019); SJ 19
7/24/2019	S	Vetoed by Governor 07/19/2019
9/19/2019	S	Notwithstanding the Governor's Veto, Shall SB 271 Become Law: RC 14Y-10N , Veto Sustained, lacking the necessary two-thirds vote; 09/19/2019; SJ 22

NH House

NH Senate

Other Referrals

Senate Inventory Checklist for Archives

Bill Number: SB271-FN-L

Senate Committee: Commerce

Please include all documents in the order listed below and indicate the documents which have been included with an "X" beside

Final docket found on Bill Status

Bill Hearing Documents: {Legislative Aides}

- Bill version as it came to the committee
- All Calendar Notices
- Hearing Sign-up sheet(s)
- Prepared testimony, presentations, & other submissions handed in at the public hearing
- Hearing Report
- Revised/Amended Fiscal Notes provided by the Senate Clerk's Office

Committee Action Documents: {Legislative Aides}

All amendments considered in committee (including those not adopted):

- amendment # 0873 ___ - amendment # _____
___ - amendment # _____ ___ - amendment # _____

- Executive Session Sheet
- Committee Report

Floor Action Documents: {Clerk's Office}

All floor amendments considered by the body during session (only if they are offered to the senate):

___ - amendment # _____ ___ - amendment # _____
___ - amendment # _____ ___ - amendment # _____

Post Floor Action: (if applicable) {Clerk's Office}

- ___ Committee of Conference Report (if signed off by all members. Include any new language proposed by the committee of conference):
- ___ Enrolled Bill Amendment(s)
- Governor's Veto Message

All available versions of the bill: {Clerk's Office}

___ as amended by the senate ___ as amended by the house
___ final version

Completed Committee Report File Delivered to the Senate Clerk's Office By:

Committee Aide

Date

Senate Clerk's Office AK

July 19, 2019

Governor's Veto Message Regarding Senate Bill 271

By the authority vested in me, pursuant to part II, Article 44 of the New Hampshire Constitution, on July 19th, 2019, I have vetoed Senate Bill 271, relative to requiring prevailing wages on state-funded public works projects.

In the midst of a booming economy with record low unemployment, the last thing we should do is reduce competition in our construction markets. New Hampshire already has some of the highest wages in the country, and this bill would unnecessarily raise the costs on New Hampshire taxpayers for government projects. The cost and administrative burden on employers would lead to less competition for government contracts, higher taxes, and poorer outcomes for New Hampshire.

For the reasons stated above, I have vetoed Senate Bill 271.

Respectfully submitted,

Christopher T. Sununu
Governor