

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

March 25, 2014

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H.878 - AN ACT RELATING TO PREVAILING WAGES

This analysis reflects the bill as proposed by the House Committee on General, Housing and Military Affairs

Bill Summary: This bill requires wages for construction workers on all State construction projects authorized or funded in whole or in part by a capital construction act to be paid at the prevailing wage level as determined by the federal Davis-Bacon Act.

Summary of Fiscal Impacts:

The estimated total cost of this legislation is \$2,000,000 to \$7,000,000 annually.

Analyzing the impact of this legislation requires a number of assumptions that are detailed below. The Joint Fiscal Office relied on information provided by the Department of Labor (DOL) and the Department of Buildings and General Services (BGS) to conduct this analysis. Due to time constraints, the Joint Fiscal Office has not verified the accuracy of the information provided by these entities.

Average annual capital bill project authorizations	\$80,000,000	Projection based on Capital Debt Affordability Advisory Committee forecast of future issuances
Share of projects subject to prevailing wage	50% - 70%	BGS review ranges from 34% to 67%
Estimated labor share of total value	20% - 50%	BGS contractor and DOL testimony before House committee
Davis-Bacon Act wage impact estimate	25%	DOL estimated wage increase for qualifying construction projects
Range of estimated annual impact	\$2,000,000 to \$7,000,000 (5% to 12.5%)	

Data Sources and Considerations

A number of assumptions, made by various sources, were used in this analysis. Below is a list issues to consider when evaluating the estimated cost of this legislation.

1. The Capital Debt Affordability Advisory Committee has projected annual issuances of approximately \$80 million per year between FY2016 and FY2024.¹ If the annual amount of debt issued differs from this figure, the estimated cost of this legislation would change.
2. BGS estimated the percentage of projects that would be subject to the prevailing wage requirement of this legislation by examining previous capital bills for State fiscal years 2009 through 2015. The results ranged from 34% to 67% per bill. This analysis is reflected in the attached document. The Joint Fiscal Office used a range from 50% to 70% to reflect both the experience of the most recent capital bill, and the likelihood that funding used for education grants may become available for construction projects in the future. However, this choice may

¹ CDAAC FY2013 report: <http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/bonds/DebtAffordability2013.pdf>

overstate the cumulative value of projects that would be subject to this legislation because the FY2014-FY2015 capital bill made significant construction authorizations associated with recovery from the flood events of 2011 (Tropical Storm Irene, etc.).

3. The prevailing wage requirements apply only to payment of wages to construction workers. The total value of a contract includes not only construction labor, but also other labor and capital costs. Therefore, it is necessary to estimate the share of total project authorizations that reflect only the cost of construction labor. No data was available to the Joint Fiscal Office for conducting this calculation. Two estimates were available. An estimate from BGS of 20% to 30% was attributed to a single contractor on the State health laboratory project. Somewhat higher estimates were provided during testimony to the House Committee on General, Housing and Military Affairs, with the highest estimate being 50% of the total contract cost². The Joint Fiscal Office used the high and low estimates from these sources to construct the estimated range presented herein.
4. DOL estimated the wage change resulting from a move to the Davis-Bacon Act compensation level (25%).³ DOL relied on data from a single “representative” BGS project (construction on the new health laboratory) over a one month period. Sixteen occupations and “over 13,000 worker hours” are contained in the data file, so there is a high volume of information. The Joint Fiscal Office has not accessed or reviewed the data underlying DOL’s estimate. Information from this contractor serves as an example, but may or may not be representative of all State construction contracts. Furthermore, the payroll information provided to DOL did not include or indicate the presence of benefits paid by the employer. If such payments exist, they would reduce the estimated difference in compensation levels, thereby reducing the total cost estimate.

² See Estimate #2 from DOL testimony:

<http://www2.leg.state.vt.us/CommitteeDocs/House%20General/Bills/H.878/H.432/Witness%20Testimony/3-12-2014~Matt%20Hill~H.432~Labor%20Cost%20Calculation.pdf>

³ See Labor Cost Only from DOL testimony:

<http://www2.leg.state.vt.us/CommitteeDocs/House%20General/Bills/H.878/H.432/Witness%20Testimony/3-12-2014~Matt%20Hill~H.432~Labor%20Cost%20Calculation.pdf>

BGS analysis of capital bill appropriations subject to prevailing wage

Appropriations estimated not to be applicable current law	Capital Bill Act 200 Fiscal Year 2009	Capital Bill Act 43 * Fiscal Year 2010	Capital Bill Act 161 FY 2011	Capital Bill Act 40 FY 12 & FY 13	Capital Bill Act 51 FY'14 & FY15***
	\$ 58,786,585.00	\$ 109,325,821.00	\$ 76,180,000.00	\$ 158,027,602.00	\$ 173,231,370.00
Personal Service Contracts, Reuse, Security Enhancements, Supplemental Funds, Staff Cost, Feasibility Studies, MM performed by BGS, 30% MM	\$ 2,175,000.00	\$ 4,224,452.00	\$ 3,840,785.00	\$ 11,847,292.00	\$ 11,714,264.00
Othophotographic Mapping; IT; Telecom AHS-security; facility conditions assessment; master plans; transitional housing	\$ 100,000.00	\$ 1,820,000.00	\$ 6,056,280.00	\$ 15,534,139.00	\$ 200,000.00
ACCD-MM; Underwater Preserves; Historic Markers Cedar Creek; Lois McClure Grants	\$ 244,000.00	\$ 730,000.00	\$ 300,000.00	\$ 202,555.00	\$ 300,000.00
Education Grants States Obligation ANR	\$ 460,000.00	\$ 65,000.00	\$ 565,000.00	\$ 655,000.00	\$ 690,000.00
Land Purchase, Fire Safety Equipment Crime Victm Agriculture	\$ 1,080,000.00	\$ 1,000,000.00	\$ 1,080,000.00	\$ 2,925,000.00	\$ 3,150,000.00
VPT	\$ 10,056,750.00	\$ 10,343,555.00	\$ 7,000,000.00	\$ 14,850,000.00	\$ 17,116,080.00
Dry Hydrant	\$ 10,815,000.00	\$ 43,617,000.00	\$ 11,208,860.00	\$ 24,463,853.00	\$ 21,654,282.00
Interactive Technologies	\$ 473,000.00	\$ 250,000.00	\$ 50,000.00	\$ 245,000.00	\$ 900,000.00
Vermont Investment Program	\$ 2,500,000.00	\$ 1,975,000.00	\$ 1,700,000.00	\$ 2,250,000.00	\$ 1,300,000.00
Vermont Housing	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00	\$ 600,000.00	\$ 405,750.00
Debt Elimination	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 200,000.00	
Estimated Amount Eligible Prevailing Wage	\$ 250,070.00	\$ 308,000.00	\$ 290,085.00	\$ 598,483.00	\$ 376,000.00
	\$ -	\$ 7,600,000.00	\$ 5,000,000.00	\$ 4,000,000.00	
	\$ 28,753,820.00	\$ 72,533,007.00	\$ 32,691,010.00	\$ 74,371,322.00	\$ 57,806,376.00
	\$ 30,032,765.00	\$ 36,792,814.00	\$ 43,488,990.00	\$ 83,656,280.00	\$ 115,424,994.00
	51%	34%	57%	53%	67%
Average	52.28%				
Average w/oFY 2010	56.94%				

*ARRA Funds \$20M

***Funding for Storm Irene - Debt Affod. \$150M