Cost-Effective Public Project Funding

Issue

Prevailing wage provisions impose federally determined employee compensation rates (wage, salary, and employer-paid benefits) on publicly funded programs. These regulations set wages above the natural market rates, decrease competition, increase costs, skew the job market, and increase unemployment. **Plainly speaking: They waste taxpayer dollars!**

Background

Known as the *"Davis Bacon"* Act *and* the "*Little Davis Bacon*" Act, these laws impose federally determined employee compensation rates (wage, salary, and employer-paid benefits) on taxpayer-funded projects. The *Davis Bacon Act*, enacted in 1931, requires the U.S. Department of Labor to determine prevailing wage rates on construction projects nationwide on a county-by-county basis. These wage determinations then become the minimum paid on federally funded projects. West Virginia's *Little Davis Bacon Act* requires that the West Virginia Division of Labor identify "prevailing" wages on a county-by-county basis. The West Virginia Department of Labor typically gets our "prevailing" wage not by the actual mean wage for the job on the county, but by relying upon the highest wages set in collective bargaining agreements in the county, or a nearby county.

Some of the problems that result from these prevailing wage laws are that they:

- Set wages above the natural market rates;
- Decrease competition;
- Increase costs;
- Skew the job market; and
- Increase unemployment.

According to data recently published by the American Legislative Exchange Council, Florida officials found that some school districts saved 25 percent on school construction when the prevailing wage law was repealed; an Oregon State University study estimated the prevailing wage requirement added 26-38% to public costs, and Tennessee officials have estimated the provisions added 30 percent to the cost of wastewater facilities. The Ohio Legislative Service Commission determined that between August, 1997 and May, 2002, the state saved $489 million in the construction of schools as a result of exempting those projects from its prevailing wage statute.

As one judge stated in a recent court decision:

"Rather than promoting safety and broad economic goals, or even the timely completion of construction projects,...(the prevailing wage provisions)...are instead economic legislation for the benefit of certain groups, primarily the members of certain unions...The stated objectives merely give a public policy appearance to what is really private interest legislation."

Unchecked wage inflation restricts the amount of public projects which can be constructed and even increases workers' compensation premium costs which are based on rates per $100 of payroll.

The Chamber's Position

The West Virginia Chamber of Commerce supports the modification of all-prevailing wage laws and regulations. At a minimum, the West Virginia Department of Labor's assessment of a "prevailing" wage should reflect the reality in the community, and should not posture inflated site specific wage rates as the median wage actually earned by West Virginians as a community. These modifications will increase the efficiency of public investments, reduce the cost of government and eliminate the government's preferential treatment for the politically powerful few.