Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2017 Regular Session

Part I: Measure Information

Bill Request #: 449)
Bill #: HB 3 GA	
Bill Subject/Title:	AN ACT relating to prevailing wage and declaring an emergency.
Sponsor: Rep. J Ho	oover
Unit of Government:	XCityXCountyXUrban-CountyXCharter CountyXConsolidated LocalXGovernment
Office(s) Impacted:	Local government entities with construction projects above the prevailing wage threshold
Requirement: X	Mandatory Optional
Effect on Powers & Duties:	Modifies Existing Adds New X Eliminates Existing
	Part II: Purpose and Mechanics

HB 3 GA amends various statutes to repeal prevailing wage. Under current law, prevailing wage is required for construction workers on public construction projects.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The estimated fiscal impact of HB 3 GA on local governments is indeterminable.

Repealing prevailing wage should lower the cost of labor on public construction projects and result in savings to local governments. According to Research Report No. 304, by the Legislative Research Commission's Program Review and Investigations Committee, "[t]here is substantial evidence that prevailing wage laws did increase the initial costs of construction." That report found that prevailing wage rates were generally representative of union wages rather than the majority wage. Committee staff surveyed 46 prevailing wage projects and found that workers earned 24% more than workers on non-prevailing wage projects. Supporters of prevailing wage maintain that lower cost labor results in substandard construction, more injuries, and economically insecure workers, which ultimately drives up costs. Dr. Peter Philips, an economics professor, argues in his paper, *Kentucky's Prevailing Wage Law: Its History, Purpose and Effect*, that doing away with Kentucky's prevailing wage would amount to a race to the bottom among contractors for the cheapest workers. According to Dr. Philips, cheap workers from Kentucky or elsewhere endanger workmanship and productivity. Further, he asserts that poor construction results in cost overruns and increased maintenance expenses. Finally, Dr. Philips claims that low cost workers suffer more injuries which increases pressure on the workers' compensation system; and they have reduced or no worker health or pension coverage which increases costs on social services.

When considering the costs and benefits of repealing prevailing wage, it is estimated that the benefits outweigh the costs.

Data Source(s):	Labor Cabinet; Legislative Research Commission, Research Report No.			
	304; Peter Philips, Ph.D., Kentucky's Prevailing Wage Law: Its History,			
	Purpose and Effect; Bluegrass Institute, Kentucky's Prevailing Wage			
	Policy: Plan B.			

Preparer:	Jennifer Hays	Reviewer:	JWN	Date:	1/6/17
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