

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE - Revised

Date: May 11, 2015
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H.492 AN ACT RELATING TO CAPITAL CONSTRUCTION AND STATE BONDING - PREVAILING WAGES

As Passed by Senate

Summary

The Senate language applies the Vermont prevailing wage to all state construction projects over \$100,000 or construction projects exceeding \$200,000 that have 50% or more of state capital bill funding (the latter is effective July 1, 2017). It also requires construction employees to be paid no less than the mean prevailing wage plus an additional fringe benefit of 42.5% of wage, as calculated by the Department of Labor's occupational employment and wage survey.

Fiscal Impact

The estimated total cost of this provision is between \$1,568,000 and \$4,224,000 in state fiscal years 2016 and 2017, resulting in a 5.6% to 8.8% increase in affected project costs. This is a slight decrease from the March 2015 Davis-Bacon analysis, which resulted in a total annual cost of \$1.8 to \$4.6 million; a 6.4 to 9.6% increase in affected projects.¹

Analyzing the impact of this provision 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.

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| Average annual capital bill project authorizations | \$70,000,000- \$80,000,000 | Estimated future issuance. The average annual current issuance is between \$72 and \$78 million. |
| Share of projects subject to prevailing wage | 40%- 60% | BGS review of the Governor's proposed Capital Bill ranges from 33% to 66% |
| Estimated labor share of total value | 32% | REMI model estimate based on project type distribution from BGS |
| Wage impact estimate | 17.5%- 27.5% | Estimated difference between VT prevailing wage and the wage/benefits associated with the proposed amendment |
| Range of estimated annual Impact | \$1,568,000 to \$4,224,000 (5.6% - 8.8% increase in projects that will be affected) | |

¹ Vermont Joint Fiscal Office, H.492 Capital Bill – Prevailing Wages Fiscal Note, March 2015.
[http://www.leg.state.vt.us/jfo/fiscal_notes/2015_H_492%20Prevailing%20Wages%20Fiscal%20Note%20\(Revised\)%203-25-2015.pdf](http://www.leg.state.vt.us/jfo/fiscal_notes/2015_H_492%20Prevailing%20Wages%20Fiscal%20Note%20(Revised)%203-25-2015.pdf)

Data Sources and Other Considerations

This analysis differs from the JFO's March fiscal note.² As opposed to the House version of the bill, the Senate language uses the Vermont prevailing wage and a different definition of affected projects. The analysis differs on the following two points:

1) The share of projects subject to the prevailing wage

According to data provided by BGS, projects subject to the prevailing wage will not increase or decrease from the March fiscal note for fiscal years 2016 and 2017.

To determine out year impacts, BGS produced an analysis of the 2016- 2017 capital bill, as passed by the Senate, to determine how the language will apply to projects that the state funds going forward (including Municipal, ANR, Agriculture grants, etc.) This analysis showed that the number of projects affected will decrease – in this case by 10 percentage points, resulting in a reduced annual impact. Note, however, that this exercise focusing on the fiscal year 2016- 2017 capital bill is unique given the demands on both capital and general funds in this biennium. The share of projects subject to the prevailing wage will vary year-to-year.

2) The Wage Impact Estimate

According to information provided by the Department of Labor, the wage impact is estimated to be slightly lower than that of the federal Davis-Bacon Act. Federal fringe benefits range from 40-50 percent. The proposed 42.5 percent fringe benefit results in a slight decrease from the original analysis.

² Ibid.