

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6544**

**BILL NUMBER:** HB 1285

**NOTE PREPARED:** Dec 17, 2009

**BILL AMENDED:**

**SUBJECT:** University and School Corporation Construction.

**FIRST AUTHOR:** Rep. Borrer

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill exempts school corporations and state educational institutions from the common construction wage law from July 1, 2010, through December 31, 2012.

The bill establishes the Interim Study Committee on the Common Construction Wage to study the effects of the common construction wage law.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** *Common Construction Wage:* The impact from the exemption of school corporations and state educational institutions from the common construction wage law is expected to vary by project. Although a number of studies suggest that wage determination provisions generally increase the labor cost of public works projects from 5% to 16%, and exemption from this wage determination provision might reduce expenditures, the precise impact of the change cannot be determined.

Some studies argue for prevailing wage-type systems on the grounds that they lead to greater efficiency, quality, and safety by providing for a stable, well-trained labor force. If such benefits were not realized, school corporations and universities could realize an increase in cost in the long run. Unfortunately, data limitations and questionable methodology limit the conclusiveness of many studies on prevailing wage laws.

*Additional Impact:* If, as studies have shown, common wage requirements increase the costs of labor to the state, then lower wages due to the exemption may have the following effects:

- State income tax collections could decrease (assuming no increase in employment levels), decreasing

consumption and further decreasing sales tax revenue.

- Debt incurred to finance projects could decrease due to lower project costs, reducing bonding or property taxes.
- Funds may be available for other public works projects that would have been required for the project. Similarly, capital expenses could be reduced, making more funding available for noncapital expenses in project budgets.

This bill establishes the Interim Study Committee on the Common Construction Wage to operate under the policies governing study committees. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$9,500 per interim for committees with fewer than 16 members.

*Background-* The 2009-11 biennium budget bill authorized about \$475.2 M in bonding for state educational institutions, and the 2007-09 biennium budget bill authorized about \$518.2 M.

School corporation construction projects have varied between \$858 M and \$1.7 B over the last eight years.

**Explanation of State Revenues:** See *Explanation of State Expenditures*, above.

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*, above.

**Explanation of Local Revenues:**

**State Agencies Affected:** State colleges and universities; Legislative Services Agency.

**Local Agencies Affected:** School corporations.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.