



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1 (as reported without amendment)
Senate Bill 2 (Substitute S-1 as reported)
Senate Bill 3 (Substitute S-1 as reported)
Sponsor: Senator Arlan Meekhof (S.B. 1)
 Senator Peter MacGregor (S.B. 2)
 Senator Dave Robertson (S.B. 3)
Committee: Michigan Competitiveness

CONTENT

Senate Bill 3 (S-1) would repeal Public Act 166 of 1965, commonly known as the prevailing wage law. The bill also would appropriate \$75,000 from the General Fund in fiscal year 2015-16 to the Department of Licensing and Regulatory Affairs for it to implement and disseminate information about the repeal.

Under the prevailing wage law, contracts for construction projects that are financed or financially supported by the State must require the contractor to pay construction workers wages and fringe benefits that are not less than the wages and benefits prevailing in the locality where the work is to be performed. The prevailing wages and fringe benefits must be determined by the Department of Licensing and Regulatory Affairs based on the rates under collective bargaining agreements that cover the locations of the State projects.

Senate Bill 1 would amend the Revised School Code to delete the prevailing wage law from the list of statutes with which a public school academy, urban high school academy, school of excellence, and strict discipline academy must comply.

Senate Bill 2 (S-1) would amend the Economic Development Corporations Act to delete provisions pertaining to the prevailing wage. The Act requires an economic development corporation to prepare a project plan and requires the plan to contain certain information, including a statement of the proposed method of financing the project. The bill would delete a requirement that the statement indicate the payment to construction workers of the prevailing wage and fringe benefit rates for the same or similar work in the locality where the work is to be performed. The bill also would delete a requirement that those rates be determined under the prevailing wage law.

The Act also provides that a corporation may exclusively rely upon the required statement as to compliance with the payment of prevailing wage and fringe benefit rates, and bonds or notes of a corporation entered into or issued upon reliance on any statement may not be voided due to failure to comply with the requirements described above. The bill would delete that provision.

Senate Bills 1 and 2 (S-1) are tie-barred to Senate Bill 3.

MCL 380.503 et al. (S.B. 1)
125.1608 (S.B. 2)
408.551-408.558 (S.B. 3)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would have an indeterminate, but likely positive, fiscal impact on the State and local units of government. The bills would eliminate the requirement that workers on State-funded construction projects be paid wages and fringe benefits that meet or exceed levels established by the Wage and Hour Division within the Department of Licensing and Regulatory Affairs. Affected construction projects include State buildings, universities, roads, and public schools. Additionally, projects undertaken by economic development corporations, public school academies, and certain other types of schools are currently subject to these requirements as well. The bills would remove the prevailing wage requirements, and could produce potential savings on these types of projects. The amount of potential savings is indeterminate and dependent on the wages ultimately paid to workers who otherwise would have been paid at the prevailing wage rates. Additionally, lack of available data makes it difficult to estimate with any certainty how much would be saved if the bills were enacted. Factors that could affect the amount of actual savings include the degree of competition among contractors in bidding on projects and the strength of the labor market.

It should be noted that projects funded with Federal funds still would be subject to the Federal Davis-Bacon Act, which establishes prevailing wages for construction projects over \$2,000 that are funded wholly or in part with Federal funds. Prevailing wages under the Davis-Bacon Act are fairly similar to Michigan's prevailing wages, so it is unlikely that the bills would produce significant savings for State or local projects that receive Federal funds. The largest category of projects that would continue to be affected by prevailing wages due to the use of Federal funds is construction and maintenance of State trunkline highways; most of these projects receive Federal funds.

In addition, Senate Bill 3 (S-1) would appropriate \$75,000 from the General Fund to LARA for the dissemination of information related to the repeal of the prevailing wage law.

Date Completed: 5-14-15

Fiscal Analyst: Joe Carrasco
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.