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FISCAL IMPACT REPORT

SPONSOR Hall **DATE TYPED** 02/01/05 **HB** 333

SHORT TITLE Exempt Small School Projects from Wage Rates **SB** _____

ANALYST Ford

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			(Indeterminate)	Recurring	Public School Outlay Fund

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with
SB 247

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Facilities Authority (PSFA)
Public Education Department (PED)
Department of Labor (DOL)
General Services Department (GSD)
Regulations and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Bill 333 raises the threshold at which prevailing wages must be paid on public school projects from the current \$20 thousand to \$250 thousand.

Significant Issues

Current law requires that any public projects or contracts of more than \$20 thousand for public buildings, public works, or public roads pay prevailing wages to laborers and mechanics.

The prevailing wage is determined by the director of the labor and industrial division of the DOL and is based on the wages for the corresponding classes of laborers and mechanics employed on contract work of a similar nature in the state or locality. To make the wage determinations, the director continually obtains and compiles wage-rate information, a process which affords interested parties an opportunity to provide input regarding wages in those areas.

FISCAL IMPLICATIONS

Raising the level at which public school projects are exempt from prevailing wage requirements would result in indeterminate cost savings by the reducing the labor costs of individual project. The costs savings would impact primarily the public school capital outlay fund. The state matches local costs on a varying basis. On occasion, the legislature makes direct appropriations to schools from other sources.

PFSA writes, "...in a typical year, approximately \$100 million in school projects statewide would be impacted by this proposed change. Estimated savings were between \$3.7 thousand and \$50.0 thousand per project. Extrapolating from this figure, the estimated savings statewide to local governments and the public school capital outlay fund combined could be as high as \$20 million annually."

ADMINISTRATIVE IMPLICATIONS

According to DOL, provisions of House Bill 333 regarding the wage determinations would result in a significant increase in workload. See "Technical Issues."

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 333 conflicts with Senate Bill 247, which requires that bidders for public school projects show proof of minimum wages, family health care, and a requirement for drug and background checks.

TECHNICAL ISSUES

According to DOL, House Bill 333 would cause a substantial increase in workload for the labor and industrial division by requiring the division to constantly survey wages and make new determinations. DOL's current practice is to issue wage determinations one time per year. However, DOL believes that the changes made to Subsection B (page 2, lines 19-25) would require them to adopt new, more costly practices. DOL indicates that it would need additional staff to meet this requirement.

OTHER SUBSTANTIVE ISSUES

Raising the prevailing wage threshold would reduce construction costs, which would allow limited public money to reach more projects. In addition, the proposed changes could increase participation of small, local contractors. PFSA estimates that wage rates in rural communities can be as much as 50 percent less than the wage minimums established by DOL. Thus, this bill could allow local contractors to better compete in the bidding process for public school projects, which may provide a local economic development benefit.

Conversely, existing prevailing wage requirements allow contractors to compete on the basis of skill and quality instead of simply slashing wages to be the lowest bidder. Many argue that prevailing wage requirements produce better quality construction and lower future repair costs by tending to favor contractors who employ highly-trained laborers.

POSSIBLE QUESTIONS

Is the legislative intent of House Bill 333 to change DOL's current practice of wage-rate surveys?

EF/sb