

## **Prevailing wage debate to follow right-to-work action**

State Rep. Rob Hutton is jumping into a longstanding philosophical and financial debate over prevailing wages with his argument that repealing the law would save the state and local governments money.

The Brookfield Republican, only in his second term, insists prevailing wage is an unnecessary cost. His claim comes in the midst of right-to-work legislation rushing through the Capitol and lawmakers coming to grips with a proposal for nearly \$1.6 billion in bonding for roads and other projects, including the proposed Milwaukee Bucks arena.

"There is a study from one school district that went back two years and evaluated what would have been the savings without prevailing wage," said Hutton, who declined to name the district. "They found savings on an annual basis of about \$200,000 without prevailing wage."

But opponents to Hutton's bill, which is in the Assembly's Labor Committee, say the prevailing-wage law is an important part of the economy because it ensures projects are completed safely and efficiently. Repealing the law, according to a Wisconsin State AFL-CIO newsletter, simply would result in lower-paid, less-qualified workers throughout the construction industry.

Hutton's AB 32 would eliminate the requirement that workers be paid prevailing wages on state projects. Prevailing wages are not "union scale," but are based on surveys of companies and are minimum rates of compensation for workers in individual trades in specific counties.

The state's prevailing wage applies to projects that use only state money. Even if Hutton's bill becomes law, projects using federal money still would be subject to federal prevailing wages established through the Davis-Bacon Act of 1931, the same year Wisconsin enacted its law.

Hutton cites studies showing the potential savings in a world without the law. For instance, according to a 2013 Michigan study, that state would have saved an average of nearly \$225 million on public school construction in each of the preceding 10 years had prevailing wages not applied.

Ohio completed a similar study in 2002 following five years during which school construction was exempt from prevailing wages. The state's Legislative Service Commission estimated Ohio taxpayers saved \$487.9 million on school construction.

But those savings came with a caveat.

"While it may be reasonable to conclude that these savings are at least partially attributable to the prevailing wage exemption," according to the study, "the extent to which this is the case cannot confidently be stated."

Other studies also have lacked confidence because there are so many variables -- competition, location, fringe benefits and quality, to name a few -- that contribute to a project at a certain point and time.

"My gut just tells me it's costing taxpayers money," said John Mielke, president of the Associated Builders and Contractors of Wisconsin, a group that represents mostly nonunion contractors and supports Hutton's bill.

But that doesn't take into account the unseen costs when contractors pay people less to work on projects, said Dave Branson, executive director of the Building and Construction Trades Council of South Central Wisconsin in Madison. Prevailing wages, he said, were established to keep local contractors on equal footing with larger competitors when bidding on projects, and when local contractors win jobs, local people work on them and then spend those wages locally.

Without prevailing wages, contractors can cut corners on the quality of workers, Branson said, and that can lead to cost overruns and other back-end expenses.

"If unskilled workers are doing the work," Branson said, "the quality is less, and the costs are more in the long run."

No matter which side people fall on the debate, they should not overlook that Wisconsin should examine the prevailing-wage system, whether to find ways to save money or simply to refine how wages are set so they match reality, said Todd Berry, president of the Wisconsin Taxpayers Alliance, which is preparing a prevailing-wage study.

"One point we've tried to make is that there really isn't a Wisconsin economy," Berry said. "Regions of the state behave quite differently. [But] you'll find the prevailing wage in some out-state county far from Madison may be the same as in Madison.

"That comes down to methodology. You'll also find all sorts of goofy anomalies across county borders."

The state's Department of Workforce Development sets the prevailing wage by county and trade using a two-step process based on annual survey responses. First, if the majority of hours are turned in under a collective bargaining agreement, then the union rate prevails. If not, then the DWD uses a weighted average of the top 50 percent of the wages reported.

That can lead to circumstances in which, for instance, an electrician in Dane County receives a higher prevailing wage than, say, a comparable electrician two miles away in Iowa County.

"I would hope that rather than this just being a black-and-white debate," Berry said, "that we actually pull back the curtain and learn something about the way the current prevailing wage system works. What is causing the anomalies?"

The law has not been examined for 15 to 20 years, Berry said, and is ripe for discussion.

"I think there is a range of options in Wisconsin," he said, "from repealing the law to trying to determine if it does what it's supposed to do."