

# PREVAILING WAGE IN PA

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Thank you, Chairman Miller and members of the committee for the opportunity to testify. I'm Matt Brouillette, President and CEO of the Commonwealth Foundation for Public Policy Alternatives, a nonprofit education and research institute based in Harrisburg.

My remarks will focus on three areas related to prevailing wage, including (1) a brief history of such laws, (2) the cost of these mandates on taxpayers, and (3) our recommendations to reform the prevailing wage law based on the experience in other states.

First, a brief history of prevailing wage laws. Congress passed the federal prevailing wage law—the Davis-Bacon Act—in 1931, in part, to prevent workers from other states—primarily black laborers from the South—from taking public construction jobs. Union organizers testified in Congressional hearings that, “colored labor is being brought in to demoralize wage rates” and referred to black construction workers as “an undesirable element of people.” Due to union political power and lobbying success, this law with its blatantly racist origins has remained intact at the federal level and in 32 states with prevailing wage laws, including Pennsylvania.

However, 10 states have repealed their prevailing wage laws over the last 30 years. In these states, studies have found that repeal has reduced the wage gap between black and non-black construction workers by 60 percent, and wages for black construction workers increased, on average, 5.5 percent after repeal.

Prevailing Wage law also harms taxpayers, as it forces them to pay higher labor costs on public construction projects. Construction companies forced to pay union-inflated wages and benefits will pay upward of 30 percent more in labor costs for identical work on private sector projects. This adds a little more than 20 percent to the cost of every taxpayer-funded construction project—resulting in an *estimated \$1 billion cost for state and local taxpayers* each year.

School boards and local governments across Pennsylvania have been pleading for relief from this mandate for years because it artificially increases the cost to taxpayers to build school and municipal facilities. These inflated labor costs are then paid by taxpayers in the form of higher-than-necessary property taxes.

Pennsylvania's original prevailing wage law of 1961 has not been substantively amended for decades. For example, the \$25,000 threshold cost for public projects has not been revised since the original passage. Just adjusting this threshold for inflation would increase the minimum for which projects are subject to the prevailing wages to about \$180,000.

However, simply increasing the threshold will not be sufficient for saving taxpayer money. Repealing this mandate entirely or, at a minimum, redefining it to reflect the average construction wages in a community would provide significant financial savings to school districts and local governments trying to do more with less tax revenue.

Short of outright repeal, Pennsylvania could take the approach of Arkansas and Ohio that have exempted school districts from prevailing wage mandates, while states such as Connecticut, Indiana, Delaware, Kentucky, Maryland, and Nevada set their public project threshold at \$100,000. Maryland set its threshold at \$500,000.

Of course, eighteen states have no prevailing wage laws at all. They rely on the competitive marketplace to deliver the best value to state and local governments. Indeed, Pennsylvania takes this approach with contractors working on other public projects. We don't force the state and local governments and school districts to pay inflated wages and benefits to contractors for technology, transportation, food, janitorial, maintenance, and many other contracted services. So why do we continue to maintain this unnecessarily expensive mandate on public construction? It doesn't improve the quality, and it only inflates costs to taxpayers and government entities.

In a time when school districts and local governments are receiving fewer tax dollars from the state and other sources, repealing Pennsylvania's prevailing wage law—or, at a minimum, redefining it to match the average occupation wage in a community—would provide local elected officials with a critical tool to help balance their budgets and relieve citizens of unnecessary tax increases.

Time is of the essence. I encourage you as you work toward a balanced budget that does not raise taxes to also provide local governments and school districts with the ability to maximize their limited tax dollars. Repealing Pennsylvania's prevailing wage law would be a great start.

Thank you, and I'm happy to answer any questions.