

ALASKA STATE LEGISLATURE

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Sponsor Statement **CSHB 155 (L&C) - Public Construction Contracts**

House Bill 155 calls for an increase to the dollar threshold that public works contracts must meet before they qualify for prevailing wages. Currently, Alaska's Little Davis-Bacon Act (LDBA) applies to public construction contracts over \$2,000. This legislation would raise the threshold to \$25,000.

Alaska's LDBA was modeled after the federal Davis-Bacon statute. The federal statute's threshold has been set at \$2,000 since 1935. A variety of Alaska specific factors and the inflationary pressures of the last 75 years make \$2,000 an inefficient threshold for implementing LDBA. House Bill 155 updates this antiquated statute to account for the unique challenges associated with construction in Alaska.

The backdrop of the federal legislation was a Lower 48 workforce that could be mobilized over road and rail systems. Much of interior and island Alaska, however, is accessible only by air taxi and barge service. For even very minor construction at remote rural sites, transportation alone can easily exceed the current \$2,000 threshold. In Alaska, merely filling 20 potholes in the Bush may mean the application of LDBA. Raising the dollar threshold gives the state more "bang" for the government "buck" in these instances.

A dollar threshold for LDBA application exists due to the wide recognition that some projects are simply too small to justify the overhead associated with LDBA compliance. For small projects requiring less skilled labor, the rigidity of LDBA and the hoops that contractors must jump through drive up the price of a bid. Not only does the administrative burden of an LDBA job push a contract ever closer to the \$2,000 mark, it discourages small, local contractors from entering bids. The modernized threshold would give rural areas the flexibility to encourage local contractors to bid on the contracts that would benefit their community. In this sense, raising the dollar threshold should be seen as an economic development issue for rural communities seeking local opportunities.

Alaska's adoption of a higher threshold would be consistent with the experience of most other states. Three fourths of the other states either have no LDBA or have thresholds much higher than \$2,000. Eighteen states do not have an LDBA. Nineteen states have established thresholds of up to \$500,000. While the thresholds vary, the overall average threshold for these 19 states is approximately \$108,000 for new construction. Only 13 states still have LDBA thresholds as low as Alaska's.

A \$2,000 threshold for the application of LDBA is inadequate in Alaska. House Bill 155 provides the upward revision that the logistics of construction in this state requires.