

HB

126

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 12, 1993

FURTHER REFERRALS:

Date of Committee Action: 3/27/93

The FINANCE Committee considered:

SSHB 126

SPONSOR SUB. FOR HOUSE BILL NO. 126 PUBLIC CONSTRUCTION PREVAILING WAGE RATES

"An Act establishing the current prevailing rate of wages issued at least 10 days before the final submission of bids as the prevailing wage rate for public construction projects and requiring periodic adjustment of the wage rate."

RECOMMENDATIONS: the same title
 be replaced with _____ a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

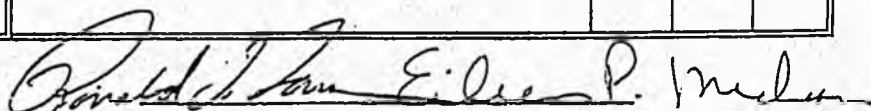
fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

2 zero fiscal note(s) DOTPF 3/12/93
lahn 3/2/93

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>E.P. MacLean</u> MacLean					
<u>Ronald J. Larson</u> Larson	X				
<u>Mark Haxley</u> Haxley	X				
<u>Sean Parnell</u> Parnell	X				
<u>Ben Grussendorf</u> Grussendorf	X				
<u>Mike Navarre</u> Navarre	✓				
<u>Tom Brown</u> Brown	✓				
<u>Tom Harriott</u> Harriott	X				
<u>Richard Foster</u> Foster	☺				


 CD CHAIRMAN'S SIGNATURE
 Larson MacLean

FISCAL NOTE

No. 2
 Bill Version SSHB 126
 (H) Publish Date: 3/12/93

STATE OF ALASKA
 1993 LEGISLATIVE SESSION

Revision Date: _____
 Title: Public Construction Prevailing
Wage Rates
 Sponsor: Representatives Phillips, G. Davis
 Requestor: House Labor & Commerce

Department Affected: Labor
 BRU: Labor Standards & Safety
 Component: Wage & Hour

COMPONENT SERIAL NO. 345

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

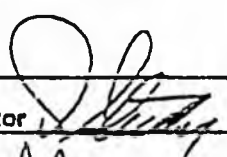
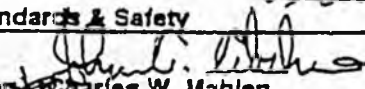
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Donald G. Study, CSP, Director  Phone: 465-6003
 Division: Labor Standards & Safety Date: 2/24/93
 Approved by Commissioner: Charles W. Mahlen 
 Agency: Department of Labor Date: 2/24/93

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FISCAL NOTE

Revision Date: 03/04/93 Department Affected: DOT&PF
Title: Public Construction Prevailing Wage Rates BRU: E&OS
projects
Sponsor: Phillips Component: D&C
Requestor: Phillips Component Serial Number: 547

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING:	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	0	0	0	0	0	0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

It is very difficult to accurately estimate cost savings for a fiscal note; there will be some impact. Contractors can more accurately predict their projects costs; therefore the department should receive more favorable bids, thus lowering the cost of construction.

Prepared by: Loren Rasmussen

Phone: 465-2960

Division: Engineering & Operations Standards

Date: March 4, 1993

Approved by Commissioner: Frank G. Zupin

Phone: 465-3900

Agency: Department of Transportation and Public Facilities

Date: March 4, 1993

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Alaska State Legislature

House of Representatives

Official Business



State Capitol
Juneau, Alaska 99801-1182
(907) 465-3718

House Majority Leader

SPONSOR'S STATEMENT FOR SPONSOR SUBSTITUTE FOR HOUSE BILL 126

PREVAILING WAGE RATES

Presented to House Finance Committee March 27, 1993

Current law provides that a construction contractor or subcontractor who performs work on public construction in the state shall pay not less than the current prevailing wage for work of a similar nature. However, an increase in the prevailing wage in the middle of a contract creates a financial hardship on the contractor; and anticipation of interim increases may also serve to inflate the cost of construction projects, because the contractor or subcontractor must absorb the costs of any wage rate change.

The prevailing rate of wages is determined by the Department of Labor based on a periodic survey of public and private commercial heavy and highway construction projects in the state. If the union rate is prevailed from the survey results, interim wage and benefit increases are currently prevailed.

The bill before you proposes to address these concerns.

Sponsor Substitute for House Bill 126 was introduced to amend AS 36.05.010 so that the prevailing wage as determined by the Department of Labor will no longer apply immediately to contracts in progress. The wage in effect at least 10 days before final bid submission will remain in effect for 24 months from the date the contract is awarded. Wages will remain the same for the life of most construction projects. In the case of contracts that are longer than 24 months, the bill provides for stable wages for a subsequent 24 month period, and so forth for the life of the contract.

Representatives from Unions, Alaska General Contractors and the Department of Labor worked together to find appropriate language to be introduced, and it is my understanding that the bill now meets with the approval of each.

Zero Fiscal Notes from both the Department of Labor and the Department of Transportation accompany this Sponsor Substitute, and the Department of Labor has introduced a position paper in support of it. The Department of Transportation feels that, while there will be some impact, it is very difficult to accurately estimate cost savings for this fiscal note. They expressed the opinion that "contractors [would be able to] more accurately predict their project costs; and therefore the department should receive more favorable bids, thus lowering the cost of construction."

Sponsor's Statement



*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: SS HB 126

APPROVED: 

TITLE: Public Construction
Prevailing Wage Rates

DATE: March 4, 1993

Section 1 of the bill deletes from AS 36.05.010 the phrase (FOR EACH PAY PERIOD) and adds at least 10 days before the final date for submission of bids for the contract. The rate shall remain in effect for the life of the contract or for 24 calendar months, whichever is shorter. At the end of the initial 24-month period, if new wage determinations have been issued by the department, the latest wage determination shall become effective for the next 24-month period or until the contract is completed, whichever, occurs first. This process shall be repeated until the contract is completed (END OF THE PAY PERIOD).

Section 2 only makes a grammatical changes.

Presently contractors are required to pay any increases in prevailing wage rate immediately after they are issued. This bill provides that the prevailing wage rates which are in effect at the time of advertising will remain in effect for two years. With stable wage rates contractors should be able to more accurately estimate the cost of a construction project. There will be less risk of increased labor costs to the contractors therefore the department should see more favorable bids and overall lower costs of the construction projects.

For Further Information contact Katy McHugh at 465-3900.

BILL NO: Sponsor Substitute for House Bill No. 126

DATE: February 25, 1993

TITLE: Public Construction Prevailing Wage Rates

CONTACT: Arbe Williams
465-2700

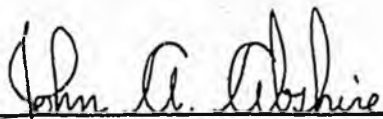
Sponsor Substitute for House Bill No. 126 amends AS 36.05.010 so that the prevailing wage as determined by the Department of Labor will no longer apply immediately to contracts in progress. The wage in effect at least 10 days before final bid submission will remain in effect for 24 months from the date the contract is awarded. Wages will remain the same for the life of most construction projects. In the case of contracts that are longer than 24 months, the bill provides for stable wages for a subsequent 24 month period, and so forth for the life of the contract.

AS 36.05.010 provides that a contractor or subcontractor who performs work on public construction in the state shall pay not less than the current prevailing rate of wages for work of a similar nature. The prevailing rate of wages is determined by the Department of Labor based on a periodic survey of public and private commercial, heavy and highway construction projects in the state. If the union rate is prevailed from the survey results, interim wage and benefit increases are prevailed.

However, an increase in the prevailing wages in the middle of a contract creates a financial hardship on the contractor; anticipation of interim increases may also serve to inflate the cost of construction projects. Sponsor Substitute for House Bill No. 126 proposes to address these concerns.

The Department of Labor supports this legislation.

APPROVED:


Charles W. Mahlen, Commissioner

Date: 2/25/93

POSITION PAPER/Department of Labor

CITY OF CORDOVA



MAR 04 1993

March 1, 1993

Representative Gary Davis
Room 15, Capital
Juneau, Alaska 99801-1182

Dear Representative Davis:

Please consider this a "Letter of Support" for SS HB No. 126. The world of contracting is complicated enough for "small town" Alaskans to cope with. Any move to streamline or simplify reporting/monitoring requirements gets my full support.

D.O.L. sends out revisions of the minimum rates of pay at a pretty frequent rate. Not having to worry about a "rate change" for up to twenty four months (under one contract) would be a welcome step and one in the right direction.

I only hope I'm around on the day that the paltry \$2000 reporting requirement for contracts involving "public money" is raised to a more reasonable \$50,000 to \$75,000.

It is clear to me through discussions I have had with folks at D.O.L., that they are not crazy about the \$2000 contract limit either. Each time the magic \$2000 limit is reached, they have another contract to monitor with the same general requirements as a \$20,000,000.00 contract. This practice seems to cause an inordinate amount of paper work for D.O.L. too!

Enough of my "soap-boxing". Thanks again for your efforts!

Sincerely,

Jeff Currier
Director of Public Works

cc: Rep. Bill Hudson, Chair, L&C
Rep. Ron Larson, Co-Chair, Finance



G & S CONSTRUCTION

P.O. Box 1493 • Soldotna, Alaska 99669 • (907) 262-6223

January 15, 1993

House of Representative's
Representative Davis
Room 15
Juneau, Ak. 99811-1182

Dear Gary:

I'd like to express my concern over how the Davis Bacon wage increases are affecting contractors involved in State and City construction projects.

-As you are probably aware there are many different pay scales that apply to various trades and each of these trade unions negotiate pay increases for there members. These new pay rates are than adopted by the state labor board and the published Davis Bacon wage scales will change accordingly.

All of this is fine until a contractor either has just bid, or is in the middle of a project that these increased wages will affect. Normally wage rates are part of the bid documents and a contractor will use those rates to bid his job accordingly. When ever these increases become affective any contractor that has bid projects with a lesser scale is than forced to pay a higher wage. Let me give you an example.

A contractor bids a 5 million dollar court house using a carpentry rate of \$29.60 per hour. Before he actually starts construction a rate increase occurs raising the carpenter rate to \$32.10 per hour. If his original carpentry labor figure was \$350,000, the rate increase will cost this contractor almost \$30,000 in added carpentry labor costs. Remember that these rates are set by the state and must be paid on any state or city project.

R. Daniel Green

I find it interesting when the state sets a wage rate, that we must pay, then without warning raises it, the contractor must absorb these added costs. Currently there is no mechanism available for the contractor to recoup this added labor expense.

In my opinion there are two options to correct this problem one of which the Federal government already has in place.

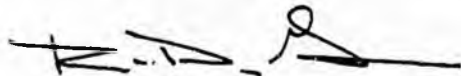
1. When an increase in wages occurs the contractor is allowed to recoup these added costs through the change order process. This already applies at the Federal level.
2. All projects that have either just bid or are in progress will be allowed to continue using the published bid date rate. This option would probably be the least desirable.

This problem of wage rate increases need's to be addressed and it is my hope you can either start or become part of a movement to rectify it. I would be glad to provide you with any other information that you might require.

I would appreciate being kept informed regarding this issue.

Sincerely,

G & S CONSTRUCTION



R. Daniel Green
owner

*Yes Dan,
I've heard them elsewhere, probably
from you after a Council meeting. Good
points - let's ck on it & get the Labor
Committee people to pursue it.*

