



# Rob Hutton

STATE REPRESENTATIVE • 13<sup>TH</sup> ASSEMBLY DISTRICT

May 26<sup>th</sup>, 2015

To: The Assembly Committee on Labor

From: Rep. Rob Hutton

Re: Assembly Bill 32

## **Testimony of Rep. Rob Hutton in Support of Assembly Bill 32**

Mr. Chairman and members of the committee, I thank you for giving Assembly Bill 32 the opportunity for a public hearing. Over the past several months there has been many facts and opinions offered regarding Wisconsin's Prevailing Wage law. The public hearing format is certainly the appropriate venue for arguments to be made on both sides of this issue.

Prevailing Wage is an artificial market rate set by the government that contractors are required to pay their workers when bidding on publically funded construction projects. Originally passed by lawmakers in D.C. during the Depression Era, this Davis-Bacon law was created to protect the wages of local contractors from competitive forces of out-of-state and southern migrant workers. Many states soon passed their own Prevailing Wage laws, including Wisconsin in 1931.

Today, Prevailing Wage is an archaic law that boxes out many firms from participating in public construction projects. The results, as we have seen in the nonpartisan Wisconsin Taxpayer Alliance study, are wage rates that are 45% over the market. These artificially inflated wages increase the cost of government projects by 10-15%, costing taxpayers hundreds of millions of dollars annually.

Prevailing Wage is a significant burden to local municipalities and school districts. Instead of having additional resources to invest in education and community services, many schools are forced to allocate 10-20% of their budgets to account for inflated capital projects. This is most impactful on our rural communities who can least afford to fund capital projects, yet often experience the greatest discrepancies when it comes to complying with Prevailing Wage law. Added to that burden is the fact that rural communities, who are desperately in need of those middle-class wage jobs are most often unable to compete.

This law also discriminates against many contractors, who otherwise are well qualified to compete for public construction projects, because they simply can't afford to pay their employees inflated wages often reflective of upper scale union salaries. Combine that with the costly time of responding to arduous government surveys, and many local and minority firms are unable to even bid on projects they are otherwise well qualified for.

With this legislation, Wisconsin will join 19 other states free of Prevailing Wage laws, which includes Indiana that just weeks ago had the bill signed into law. Not surprisingly, states such as Illinois and Michigan are also considering repeals of their own.

Regardless of our party affiliation, we can all agree we must maintain a marketplace that insures equal opportunity, a level playing field, encourages competition, and avoids favoritism in the marketplace.

The elimination of prevailing wage is consistent with those ideals. We need to stop the practice of “wage fixing” for government projects and let the free and fair market: broaden bid participation to insure Wisconsin’s tax dollars stretch further. Repealing Prevailing Wage will produce greater transparency, eliminate unintended discrimination, and ultimately save our state hundreds of millions of dollars each year. These expenses can be better allocated towards investments in education, sustaining critical community services, needed investments in our state’s infrastructure, and needed tax relief.

This legislation will help set the spending trajectory for Wisconsin for the next 50 to 100 years. Decisions we make today will directly impact the quality life for the next generation and those that follow.

Mr. Chairmen and members of the committee, thank you again for the opportunity to testify before you this morning.



# LEAH VUKMIR

## STATE SENATOR

### Assembly Committee on Labor Public Hearing, May 27, 2015 Assembly Bill 32

Chairman Jacque and committee members, thank you for taking the time to meet today. I am pleased to join Representative Hutton to give a voice to our constituents and taxpayers across this state. The issue of prevailing wage is crucial to the fiscal health of both state and local government. The potential savings that would be achieved by repealing Wisconsin's Prevailing Wage Laws are staggering. A study by the Wisconsin Taxpayers Alliance estimates that state and local governments could have saved as much as \$299 million in 2014.

The committee has a long day on tap, so I will be brief and leave the details of specific projects and unnecessary burdens imposed by prevailing wage to the local elected officials that have travelled here from all across Wisconsin. I think the best perspective I can offer is to speak about how my time on the Joint Finance Committee has fundamentally changed my understanding of how budgets work.

I am in the middle of the state budget for the first time as a member of the Joint Finance Committee and the most striking part of the process is the intense competition for funding. Until you hear from the whole spectrum of deserving groups competing for state resources, it is very difficult to appreciate that each dollar spent on a program comes at the cost of some other worthy program or project.

After speaking with my fellow legislators and hearing the stories of local elected officials, they clearly face these same fiscal challenges and the difficult choices that accompany them. This is why we must repeal prevailing wage in Wisconsin. How in good conscience can we ask local elected officials to do more with less while simultaneously requiring them to pay outrageously inflated construction costs?

Without a doubt, prevailing wage laws clearly have a negative impact on local units of government and the taxpayers who support them. When you consider the possible savings from eliminating prevailing wage, it is important to remember that those savings could be redeployed in a multitude of ways, ranging from additional projects to tax relief, depending on the local circumstances.

Put another way, prevailing wage is an enormous unfunded mandate from state government. Through the prevailing wage laws, we dramatically increase the cost of government construction projects all across the state. What possible justification is there for artificially increasing the cost of a project by mandating higher labor costs?

Supporters of the current prevailing wage laws contend that they are necessary to ensure a well trained work force. This claim is difficult to accept. A multitude of other professions are able to support continuing education and training without state government mandating wages for the

STATE CAPITOL

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professionals in their respective fields. As too often is the case, the fight over prevailing wage is simply a fight over resources. The supporters of our current law believe they are entitled to their artificially inflated salaries and profits; this is a view that frankly is not shared by my constituents.

In fact, if you watch carefully today, I anticipate that the opponents of this bill will closely resemble the definition of special interests. How else could you describe big business and big labor on an issue where they have so clearly elevated their narrow personal financial interests over what is best for our state and local communities?

When you consider the financial impact of Wisconsin's prevailing wage laws, it is difficult to rationalize how preserving these antiquated laws could possibly be a priority in the context of the local and state budget. That reason alone ought to be enough to ensure that this legislature moves to repeal Wisconsin's Prevailing Wage Laws.



Assembly Committee on Labor and Government Reform  
Representative Jacque (Chair)  
Assembly Bill 32

Wisconsin Chapter

May 27, 2015

Associated Builders and Contractors of Wisconsin, Inc. supports Assembly Bill 32, repealing Wisconsin's prevailing wage laws. We believe Wisconsin's system of determining prevailing wage is fundamentally flawed, is anti-competitive and results in higher construction costs for taxpayers.

Opponents of repealing prevailing wage make several claims which we believe are unfounded.

**1) Prevailing Wage Laws Assure Quality**

After suspending its prevailing wage law with regard to school construction, Ohio sought to find out whether the suspension had led to a decrease in quality. A study by the Ohio Legislative Service Commission found that 91 percent of the school district officials surveyed stated that there was no change in the quality of work done without prevailing wage and of the remaining 9 percent - only 3 percent said that quality had fallen while 6 percent said it had improved.

**2) Prevailing Wage Ensures Safe Projects**

There is absolutely no difference – in construction standards, or health and workplace safety requirements, or enforcement – between prevailing wage and non-prevailing wage projects. Prevailing wage projects and non-prevailing wage projects are subject to the same safety regulations and contractors have the same incentives to minimize their worker's compensation insurance rates by maintaining a safe workplace.

If construction safety were a matter of concern, it would make far more sense to address this directly rather than through the indirect and ineffective method of imposing artificial wage rates. For example, contractors with particularly bad safety records could be excluded from bidding on public works projects.



Assembly Committee on Labor and Government Reform  
Representative Jacque (Chair)  
Assembly Bill 32

Wisconsin Chapter

May 27, 2015

### 3) Prevailing Wage Protect Local Wage Standards

Late last year ABC of Wisconsin asked the Wisconsin Taxpayers Alliance to examine the following question: Do prevailing wages as determined by the state Department of Workforce Development accurately reflect wages and benefits in Wisconsin counties?

That study concluded that Wisconsin's method of setting prevailing wages often results in wages that do not reflect local markets. Wisconsin's unique formula produces prevailing wage rates that are often higher than market rates (especially in rural counties), rates that fluctuate widely and creates wage anomalies.

- **Not Market Rates** - Local data from statistically-valid federal wage surveys show that prevailing wages in Wisconsin are, on average, 23% higher (45% when you include benefits) than local averages.
- **Fluctuate Widely** - For example, prevailing wages and benefits for a carpenter in Adams County fluctuated between \$12 per hour and \$49 per hour during 2011-15.
- **Creates Wage Anomalies** - In 2014, the prevailing wage and benefit package for an electrician in Lafayette County was \$21.00 per hour; for an unskilled clean-up worker, it was \$37.97.

If prevailing wages in Wisconsin reflected market rates one would expect county prevailing wages would, to some extent, mirror patterns in other construction wages. Yet prevailing wages often vary little from county to county, and when they do vary, the variations do not reflect industry earnings data. For example, in 2014, prevailing wages for carpenters were identical in 57 of the state's 72 counties. Prevailing wages for roofers varied, but the pattern appears "random" with no tie to location.



**Assembly Committee on Labor and Government Reform  
Representative Jacque (Chair)  
Assembly Bill 32**

**Wisconsin Chapter**

**May 27, 2015**

The fact that DWD's prevailing wages do not represent local labor markets has two implications. First, in some counties, local governments are paying more for new buildings than if prevailing wages accurately reflected competitive market rates. Second, prevailing wages are less affordable in rural income-poor counties than in wealthier urban ones.

I understand why some contractors favor prevailing wage laws. People prefer to minimize or eliminate competition in markets where they sell, while enjoying the benefits of competition in markets where they buy. The reality is that prevailing wage laws concentrate benefits to those few workers who are employed on prevailing wages jobs while dispersing the costs to taxpayers and should be repealed.

## 5. Reflecting the Market?

The previous section highlighted flaws in Wisconsin's approach to calculating prevailing wages, both in terms of method and survey response. Beyond these issues, the question remains whether the prevailing wage reflects local labor markets—and what, if any, implications there are for local governments and taxpayers.

### Prevailing Wages and the Market

Wisconsin's economy is comprised of a number of regional economies. Wages and incomes in northern Wisconsin tend to be lower than those in the southeast. If prevailing wages reflected these regional markets, one would expect them to vary by region.

Federal data from the Bureau of Labor Statistics (BLS) can be used to explore whether prevailing wage determinations vary with BLS averages across markets. This analysis is made easy because BLS collects county wage information by industry from the same UI database used for Wisconsin's prevailing wage survey.

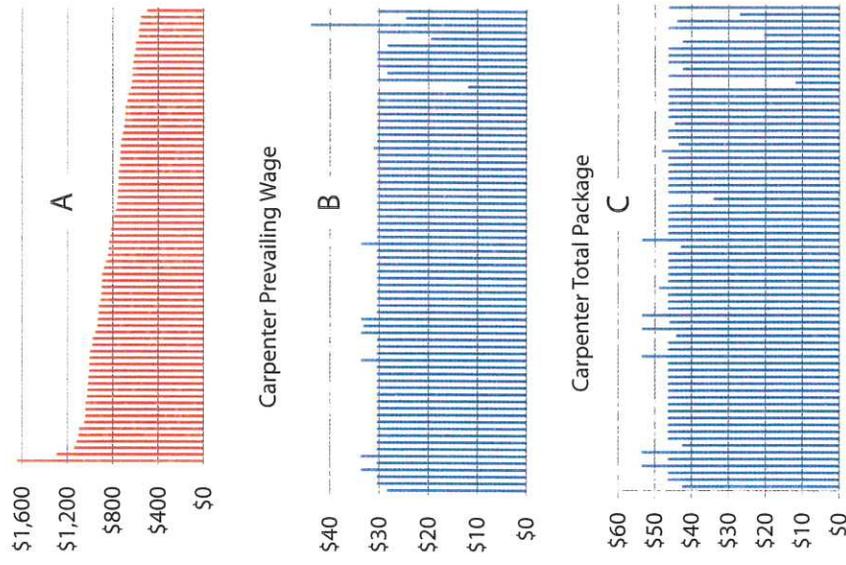
To make the DWD-BLS comparison as fair as possible, it is important to recognize differences in construction seasons nationwide compared to Wisconsin. Wisconsin's season tends to be shorter due to weather. So, to ensure comparability, BLS data are only used for the second and third quarters

(April through September when construction is in full swing) to construct an average weekly wage by county. Then, since DWD's 2014 prevailing wage determinations are made using 2013 survey data, these can be compared to average wages calculated from 2013 BLS data.

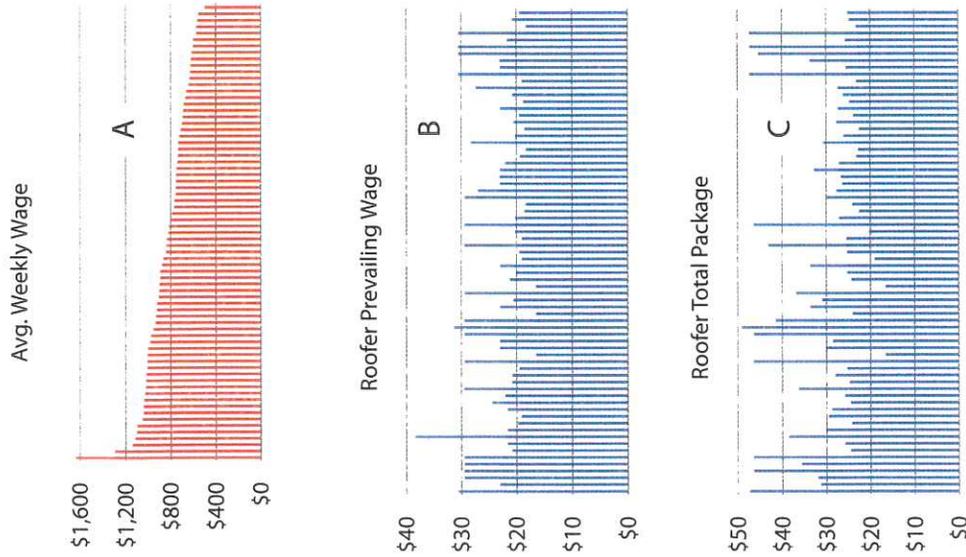
The three charts to the right (Figure 3) show first the county-by-county distribution of average BLS construction wages (A), followed by DWD prevailing wages (B) for the same counties. According to BLS, average weekly construction wages ranged from \$1,641 in Douglas County to \$498 in Forest. Generally, wages were higher in the state's urban counties and lower in rural ones. Milwaukee, Waukesha, Dane, and Winnebago all ranked among the top 10 counties in average weekly wage. The 20 counties with the lowest average wages all had populations less than 42,000. Average weekly wage data are sorted from high to low as shown in Figure 3A (red bars).

Average county wages per BLS can then be compared with DWD prevailing wages and packages. The next two graphs (B and C) show DWD's calculated prevailing wage (B) and prevailing total package (C), respectively, for a carpenter. Counties are placed in the same order as they were in the average weekly wage chart (A).

**Figure 3: Avg. and Prevailing Wages**  
Avg. Weekly Construction Earnings per BLS vs. DWD Prevailing Hourly Wage and Total Package, Carpenter, by County  
Avg. Weekly Wage



**Figure 4: Avg. and Prevailing Wages**  
 Avg. Weekly Construction Earnings per BLS  
 vs. DWD Prevailing Hourly Wage and Total  
 Package, Roofer, by County



Similar chart-based comparisons for other occupations are provided in Appendices A and B.

### Ability to Pay

That DWD’s prevailing wages do not, at least to some degree, mirror local labor markets has two implications. First, in some counties, local governments may be paying more for new buildings than if prevailing wages accurately reflected the local market. That issue is addressed in the next section.

Second, the difference between DWD prevailing and BLS average wages is often higher in counties where wages, salaries, and incomes are lower. Since public projects are generally funded by local property taxes, which are paid out of local income, this means that the costs of public projects claim a larger share of income in low-income counties than in others. To reiterate, counties with the least ability to fund construction projects would be devoting a larger share of their resources to public projects than wealthy counties are.

To confirm that a flawed prevailing wage calculation results in disadvantaging “poor” counties, a measure of county “ability-to-pay” is developed using BLS estimates of average weekly wages, by county, for all workers. For ease of comparison with prevailing wages, weekly wages are converted to hourly ones. This is what the average

The uniformity of DWD’s prevailing amounts both for wages and total packages is clear. In 57 of 72 counties, the prevailing wage is \$30.48—union scale in each of those counties. In another six (all in the Milwaukee area), the prevailing wage matches the \$33.68 union scale there. A similar pattern holds when benefits are included to produce the total package amount. In other words, for carpenters, prevailing wages and packages vary little by county, even though BLS average construction wages do.

That is not to say that there was no county-by-county variation in some occupations. Figure 4 shows prevailing wages (B) and total packages (C) for roofers vary by county. Prevailing wages range from \$16.50 in Chippewa County to \$38.35 in Rock. Adding benefits to wages yields a total package ranging from \$16.50 (Chippewa) to \$49.10 (St. Croix). However, variation in wages and total packages bears no resemblance to the BLS construction wage pattern.

Figures from Waukesha and Washburn counties are instructive. According to BLS, overall weekly construction wages averaged \$1,119 in urban Waukesha County, almost double that in rural Washburn (\$569). Given the difference in population and location between the two, this is predictable. However, the prevailing wage for a roofer was higher in Washburn (\$30.50 vs. \$29.40), as was the prevailing total package (\$47.37 vs. \$46.45).

Written Testimony of WPRI President Mike Nichols  
for  
Assembly Bill 32  
Wisconsin State Assembly Committee on Labor  
May 27, 2015

Representative Jacque, Members of the Committee,

Thank you for the opportunity to speak this morning. I am Mike Nichols, president of the Wisconsin Policy Research Institute. Many of you are familiar with WPRI. For almost 30 years, we have provided non-partisan, objective research on issues of interest and importance to Wisconsin's citizens and policy-makers.

WPRI typically spends a lot of time and energy chronicling the history and aggregate economic impact on taxpayers of government laws and regulations. Today, we leave that to others you will no doubt hear from.

Rather than asking an economist to examine the impact of the prevailing wage law from the 30,000-foot level, we asked five veteran Wisconsin journalists to take an up-close look at how the law impacts state businesses, taxpayers and government employees every day. And what we heard is that the law is a burden for taxpayers, an impediment to fair competition and often a bureaucratic morass for contractors who deserve better.

Please don't take my word for any of this. Our report – "Real-World Impacts of Prevailing Wage" – contains the names, stories and concerns of Wisconsinites living all across our state and in many of your districts.

A Common Council President in Hartford told us that in his city changing the prevailing wage law “has an urgency that it may not have for others” because they are about to replace their pool with a new aquatics center. The prevailing wage law, if left as is, will cost them an estimated \$400,000 -- enough to replace all the vehicles in their police department.

We talked to a school superintendent in the Elmbrook District who says without prevailing wage requirements they could save about \$300,000 on HVAC work at an elementary school this summer – money that could be used for teaching instead.

We talked to a school board member in Brillion who says they’ve been paying 10% to 15% more than they should on projects for decades.

But this isn’t just about money.

Many good companies, the same school board member told us, won’t even bid a prevailing wage project because of all the paperwork. Or because they don’t want to deal with the internal strife of paying decent, regular wages to some of their workers and government wages to others. One contractor in Manitowoc told us that he didn’t like what the law did to his workplace. It created tension among his workers, ninety percent of whom worked on jobs in the private sector and 10% of whom would get another \$10 or \$12 an hour to work on government jobs.

Many contractors, for all those reasons, give up competing. It’s not a truly competitive process.

Nor is it an easily decipherable one. Because the methodology used to determine prevailing wages is flawed, rates for – say – a painter in Fond du Lac County can nearly double in just a year. That makes it hard to bid a job.

Other contractors bid, but say they have a hard time figuring out which rates of pay the government wants them to use. Government workers, meanwhile, sometimes have a hard time figuring out if a job must adhere to prevailing wage requirements at all because prevailing wage laws apply to a lot more than just new ground-up building projects or roads.

Grafton officials told us about how they found out maintenance projects can be governed by it as well. Some contractors in Fort Atkinson fear that it even applies to projects in which they want to donate their services.

Finally, the law isn't even applied evenly. We found that Dunn County officials rightly concerned that prevailing wage laws were adding approximately \$1 million to a nursing home project were able to get lawmakers in 2011 to simply exclude them from the requirements of the law.

No one can blame them for asking. But it's hard to understand why they should have to. Think about it. The prevailing wage law requires responsible, concerned, local elected officials to get permission from the state to spend less of their own money.

This isn't just poor policy. It's nonsensical.

In sum, we have a law that pulls money out of the pockets of taxpayers who don't have a lot of it to begin with; that requires contractors to spend countless hours filling out forms, trying to communicate with bureaucrats, lodging appeals and scratching their heads when they'd rather be working on a job; that creates internal strife in private businesses and ultimately impedes competition because they don't want to deal with the government.

It's not fair, at the same time, to pretend "government" is some sort of monolithic sinkhole full of bureaucrats who just don't care. We found smart elected officials and administrators who have a hard time planning projects because of ever-vacillating prevailing wage rates, who want to provide better schools for kids but struggle to explain the exorbitant costs to taxpayers, who have a hard time even determining which projects are subject to prevailing wage requirements and which ones are not.

Some say the law somehow can be "fixed" rather than repealed. The problems are so fundamental that it is hard to see how. In fairness to taxpayers concerned about their wallets, contractors concerned about their businesses, government servants who want to better serve their neighbors, please consider doing away with these antiquated, costly statutes.

Without them, Wisconsin can once again prosper.

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Contact: WPRI President Mike Nichols, (262) 389-8239

## WPRI Documents Harmful Real-World Impacts of Prevailing Wage Law

Wisconsin's Depression-era prevailing wage law is harming taxpayers and many contractors, frustrating government servants and diverting resources away from those in need, according to a series of stories quoting residents throughout the Badger State. The following quotes are from articles at [www.wpri.org](http://www.wpri.org)



**\$400,000 is “a lot of money for a community of 14,300 souls. We could replace all the vehicles our Police Department uses and still have money left over.”**

- *Hartford Common Council President Tim Michalak, referring to the money taxpayers could save on a local pool project if prevailing wage laws are eliminated*

**“Obviously, it makes the building projects cost more, which means less money for other projects, which means those projects don’t get done.”**

- *Tom Rufenacht, director of buildings and grounds/safety and security for the Monroe School District in south-central Wisconsin*



**“If we’re talking about jobs in Wisconsin, (an exemption from the prevailing wage law) would facilitate the project going forward.”**

- *What Dunn County Board Chair Steven A. Rasmussen says he told state officials when he successfully lobbied for an exemption from the prevailing wage law that saved county taxpayers up to \$1 million on a new nursing home project*



**“You never know from year to year what the dollar amount is. It makes it hard to bid a job.”**

- *Jackie Hungerford, administrative assistant in the Oakfield School District in Fond du Lac County, referring to prevailing wage rates that fluctuate from year to year*



**“Small, financially strapped, rural school districts are punished the worst by this law.”**

- *John Nyhuis, Oakfield School Board member, who says a remodeling project that had been planned was scrapped chiefly because of the prevailing wage law*



**“The elimination of prevailing wage has the potential to be another tool that our school district can use to limit construction or maintenance repair costs, ultimately supporting our effort to spend 75% or more of our district budget on teaching and learning expenses that have a direct impact on student learning.”**

- *Elmbrook School Superintendent Mark Hansen*



**“There’s no doubt about it that (the prevailing wage law is) adversely affecting the taxpayer that is already funding 80% of our school system. We want to make sure we are being good stewards of taxpayer dollars, and we want a well-built facility that uses local contractors that save the taxpayers money.”**

- *Florence County School Superintendent Ben Niehaus*

**“That always puzzled me – why lawmakers always seem to be struggling for money, but yet they’re willing to support a system that inflates the cost of public construction, whether it’s roadways, city halls or schools.”**

- *Brillion School Board Vice President Steve Klessig on prevailing wage laws*

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**“I’ve got hundreds of hours in this – hours that I can’t be bidding work and getting business.”**

- *Bob Ford, owner of Ford Construction Co. in Waukesha, who hired an attorney to handle appeals of a prevailing wage issue at the federal and state levels*



**“As a taxpayer, I’m concerned ... this extra money is for what? And it’s not representative of what the majority of the state makes. That means that state institutions are paying a lot more and getting a lot less for their construction dollar.”**

- *Stan Johnson, president of A.C.E. Building Service in Manitowoc*



**“It will be a factor when the village considers its next rate increase.”**

- *Grafton Village Administrator Darrell Hofland, speaking of a state finding that a maintenance project involving the village’s water towers had to be done under prevailing wage laws*



The Voice of Small Business.

WISCONSIN

**Statement Before the  
Assembly Committee on Labor**

**By**

**Bill G. Smith  
State Director  
National Federation of Independent Business  
Wisconsin Chapter**

**Wednesday, May 27, 2015  
Assembly Bill 32**

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Mr. Chairman, members of the Committee, thank you for the opportunity to make some comments on behalf of our state's small business community on an issue of great importance to small and independent business owners throughout Wisconsin.

As taxpayers, small business owners want their government to be efficient and prudent with their tax dollars. Where there is waste and fraud, eliminate it, where there is excessive, inefficient spending, reduce it, where there are policies that needlessly increase the cost of government, repeal them.

**These are the view of small business, Mr. Chairman, where 84 percent of our members responding to a survey study support repealing Wisconsin's prevailing wage law.**

At a time when the legislature needs to maximize the value of every dollar they collect, repealing Wisconsin's archaic prevailing wage law will not only save tax dollars, but also end a practice that shuts out small and minority contractors from participating in the bidding process for local projects.

A study released by the Wisconsin Taxpayers Alliance indicates taxpayers often pay as much as 45 percent above the market average as a direct result of prevailing wage laws.

In Michigan, studies show the prevailing wage law caused contractors to pay wages that averaged 40-60% higher than those determined by the market, increasing construction costs by 10-15 percent – costing taxpayers millions of dollars in higher construction costs.

In California, prevailing wage requirements needlessly increased construction costs by 9-37%, and in New York, prevailing wage increased the total cost of construction by 36 percent in the metropolitan areas of the state, again costing taxpayers millions of dollars.

In Wisconsin, the estimated prevailing wage costs for construction of the Wisconsin Maritime Center of Excellence in Marinette County are estimated at \$292,719.00 for a \$5-6 million project, funded primarily by Marinette County.

**Statement Before the Assembly Committee on Labor**  
**Wednesday, May 27, 2015**  
**Page Two**

This is bad public policy for our taxpayers and it is bad public policy for Wisconsin's small business contractors who struggle for their fair share of local construction projects.

While we know some will argue prevailing wage serves to keep workplaces safe, wages competitive, and competition fair, those of us who work for small business and live in the real world, know those claims to be false.

In fact, the state's prevailing wage law acts as a super minimum wage where government sets wages often much higher than local wages determined by fair competition in the local free market.

By allowing the free market to operate as we do with every other commerce activity in the marketplace, without interference from an archaic prevailing wage law, taxpayers will save hundreds of millions of dollars, while at the same time small business owners and their employees will be provided their rightful opportunity to compete for public construction projects that are financed by their hard earned tax dollars.

Finally, Mr. Chairman, everyone in this building supports the buy local movement because we all agree when we buy local, we support small businesses who provide jobs and grow communities.

Yet the complexities of the prevailing wage law and the realities of high artificial wage rates discourages and completely shuts out small and minority businesses from even submitting bids for local taxpayer financed projects. (Approximately 86% of construction-related firms have fewer than 10 employees.)

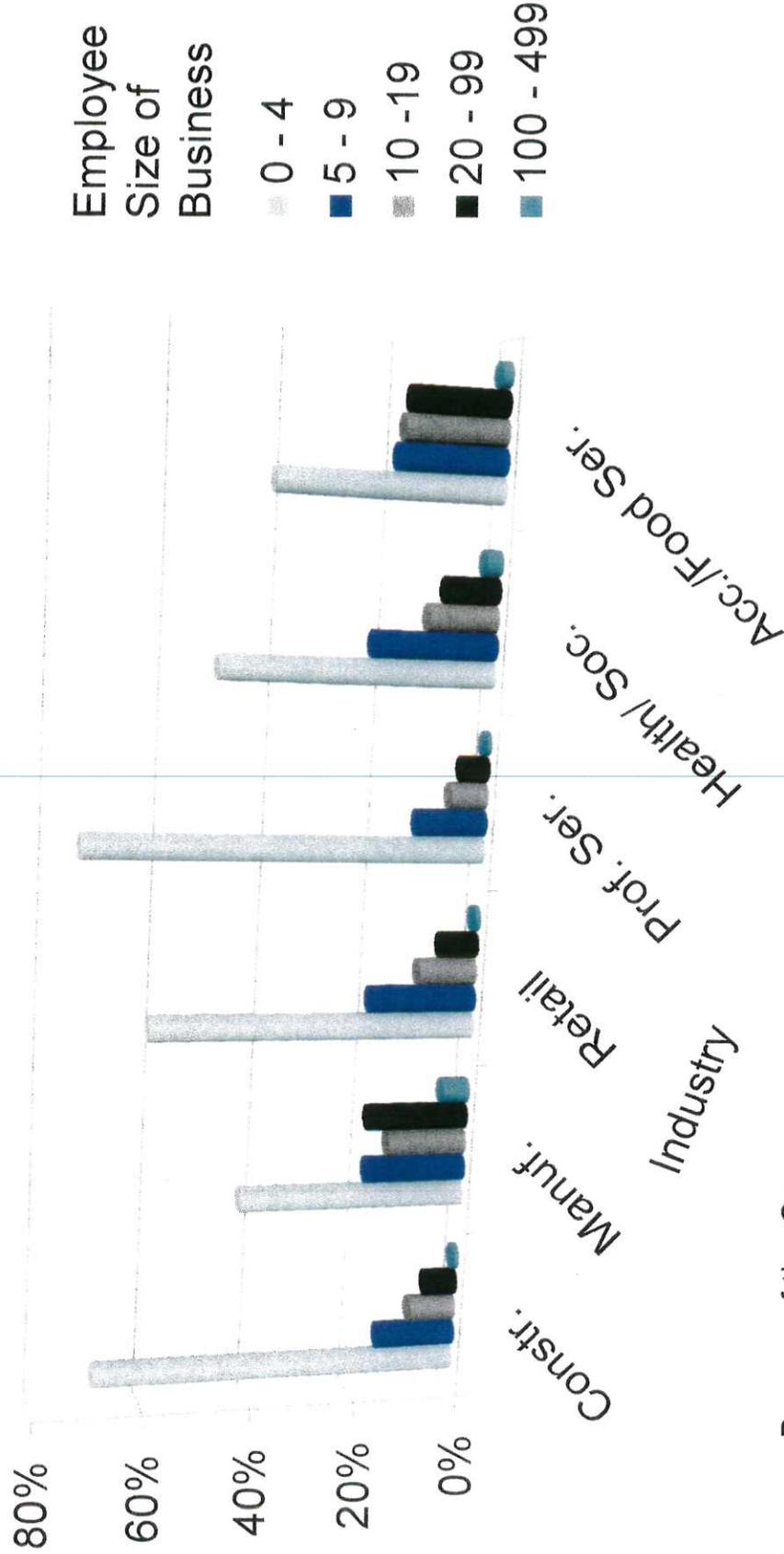
While some may believe minor reforms of this archaic law and its infringement on free enterprise is all that is necessary to "fix" the law, nothing could be further from the truth.

Our state's small business community believe anything short of repeal means the taxpayers will continue to pay high costs, and small business owners will continue to be unfairly denied their rightful opportunity to participate in publicly funded projects, and provide jobs for hardworking taxpayers.

For these reasons, **I respectfully urge members of the committee to recommend Assembly Bill 32 for passage, to support fairness in the marketplace, and to support your local small business community and those who work for small business by repealing prevailing wage in Wisconsin.**

Thank you.

# Distribution of Employed Size of Business by Selected Industry



Source: Bureau of the Census

To: Chairperson André Jacque  
Members, Assembly Committee on Labor

From: R.J. Pirlot, Aggregate Producers of Wisconsin

Subject: **Assembly Bill 32: Prevailing Wage Clarification (Trucking of Mineral Aggregates)**

Date: May 27, 2015

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The Aggregate Producers of Wisconsin (APW) is a statewide trade association dedicated to the concerns of crushed stone, sand and gravel producers, and to businesses that provide goods and services to the aggregate industry.

**APW neither supports nor opposes Assembly Bill 32. APW requests clarification of the application of Wisconsin's prevailing wage law to the trucking of mineral aggregate material.** Specifically, APW requests you amend §§ 66.0903(4), 103.49(2m), and 103.50(2m), Wis. Stats, to apply the state's prevailing wage law to the trucking of mineral aggregate to a job site in the same manner it is applied to trucking of other material. Under current law, if the material being delivered to the job site comes from a commercial source, the trucking of that material is not be subject to prevailing wage *unless it is mineral aggregate*.

Under the proposed change,

- the unique exception for trucking of mineral aggregate would be eliminated;
- the state's prevailing wage law would be clearer and more consistent;
- the application of the federal Davis Bacon Act to federal-aid projects would be unchanged;
- the application of the prevailing wage law to the trucking of materials from a facility dedicated exclusively, or nearly so, to a project of public works, would be unchanged;
- the application of Wisconsin prevailing wage law regarding the trucking of mineral aggregates would be harmonized with the federal Davis Bacon Act; and
- the application of Wisconsin prevailing wage law regarding the trucking of mineral aggregates would be harmonized with how Wisconsin law treats the trucking of other materials from a commercial facility (one that is not dedicated exclusively, or nearly so, to a project of public works).

With this clarification, without exception, the prevailing wage law would not apply to a truck driver who is regularly employed to deliver aggregate materials from a commercial facility to a public works project. Such a truck driver, however, would continue to be covered under the prevailing wage law for work performed on the site of the project.

**Michael A. Boyce**  
**City of Monroe - Alderperson**  
2132 20<sup>th</sup> Avenue  
Monroe, WI 53566  
414-303-3322

DATE: May 27, 2015  
TO: Wisconsin Assembly Committee on Labor  
FROM: Michael Boyce, Alderperson - City of Monroe  
RE: Assembly Bill 32

Honorable Committee Members,

As a locally elected official in the City of Monroe Wisconsin, I testify today in support of Assembly Bill 32. It is my strong belief that AB 32 would provide immediate benefit to City of Monroe taxpayers and businesses.

Following are examples how the prevailing wage law harms the taxpayers and businesses in the City of Monroe:

**Privileges large contractors and marginalizes local small to medium sized contractors:**

No local contractors were used during the nearly completed \$23,000,000 waste water treatment plant - the largest public works project in the city's history. Because of prevailing wage, Monroe taxpayers are forced to pay wages to contractors with no local connection and at rates that exceed the local wage rates.

**Oppresses private and public development:**

A local landowner wants to build a road on land it owns and then give the road to the City. But because the city and the school district own adjacent land, the project is subject to prevailing wage. Because of the added costs associated with prevailing wage, the project is unlikely to happen. Without prevailing wage, the landowner could build the road at a much lower cost and give it to the city.

**Unfairly increases public construction costs:**

The city is in the design stages of a \$5,000,000 street reconstruction of one its busiest streets. Prevailing wage prevents competitive bidding on the labor costs of this project and unfairly increases the overall project cost.

Competition in public contracting is good public policy. Prevailing Wage eliminates competition on the labor component of public contracts. AB 32 is good public policy and I urge its passage.



**Wisconsin Rural Water Association**

350 Water Way • Plover, Wisconsin 54467

715-344-7778 • Fax: 715-344-5555 • E-mail: [wrwa@wrwa.org](mailto:wrwa@wrwa.org)

To: Chairperson André Jacque  
Members, Assembly Committee on Labor

From: David Lawrence, Executive Director, Wisconsin Rural Water Association

Date: May 27, 2015

Subject: **Exempt Local Utility Projects from Prevailing Wage Regulation**

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The Wisconsin Rural Water Association is a nonprofit organization that is the leading provider of training and technical assistance to water & wastewater system operators, managers and administrative personnel in the state of Wisconsin. WRWA represents 676 water & wastewater systems providing services to over four million Wisconsin residents.

**WRWA supports significant changes to Wisconsin's prevailing wage law, including full repeal. One specific reform that would greatly benefit the local water utilities across the state is to exempt municipal public utility construction projects from the state prevailing wage law.** This exemption would apply to municipally-owned utility infrastructure to furnish water, light, heat or power OR to provide sewer and storm water service, including water utilities, combined water and sewer utilities, sewerage and storm water systems, joint local water authorities, and municipal electric companies. Projects means construction of any new plant, equipment, property or facility, or extension, improvement or addition to existing plant, equipment, property, apparatus or facilities.

Prevailing wage requirements artificially inflate costs for local utility project and other public infrastructure projects. These costs are then passed down to the taxpayer, as local municipal utilities are forced to raise their rates in order to cover the additional cost.

In addition, the administrative requirements under prevailing wage are significantly onerous – especially in small communities. For example, one WRWA member, Rib Lake, is a municipality of 900 residents and employs only one clerical staff to manage all the duties of the Municipal Clerk and Treasurer – including the complicated and convoluted prevailing wage paperwork.

Recent research from the Wisconsin Taxpayers Alliance further demonstrates that Wisconsin's prevailing wage law results in substantially higher costs for municipal ratepayers. The WISTAX research shows that the state-mandated methodology used to dictate these wages is “flawed, resulting in extra building costs in 2014 of as much as \$299.5 million.” The research also found that Wisconsin's poorest counties bear a disproportionate share of these costs.

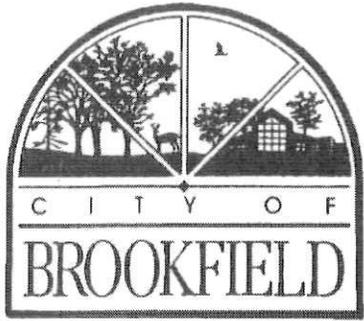
Other findings from the WISTAX study include:

- Wisconsin only receives 10% of survey responses back from those Wisconsin businesses who help determine the prevailing wage (federal percentage is 76%).

- Because the prevailing wage is set at the average of the top 50% of the responses, the current reporting system often results in statewide or regional figures to set a wage rate that does not reflect a county's labor market.
- WISTAX concluded that, on average, Wisconsin prevailing wage overall compensation packages are 44 percent higher than Bureau of Labor Statistics package rates.

Exempting local utility projects from prevailing wage will save Wisconsin ratepayers dollars, cut burdensome red tape, and give local utilities a critical tool to help stretch ratepayer dollars further. Maintaining and paying for local utility infrastructure is an ongoing challenge in Wisconsin. Exempting local utility projects from the prevailing wage law is part of the solution to this problem.

Thank you for your consideration of this important issue.



**MAYOR**

*Steven V. Ponto*

2000 North Calhoun Road  
Brookfield, Wisconsin 53005-5095  
(262) 787-3525 - FAX (262) 796-6671  
ponto@ci.brookfield.wi.us

May 26, 2015

**Assembly Committee on Labor**

Representative Jacque (Chair)  
Representative Spiros (Vice-Chair)  
Representative Knodl  
Representative Kapenga  
Representative Kulp  
Representative Kublitsch  
Representative Sinicki  
Representative Mason  
Representative Ohnstad

**RE: In Support of 2015 Assembly Bill 32**

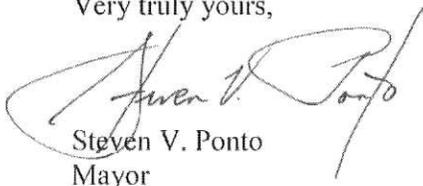
Dear Representatives:

As Mayor of the City of Brookfield, I am writing to express my support for Assembly Bill 32 which would eliminate Wisconsin's prevailing wage law. Our current prevailing wage law was enacted in 1931 and is a holdover from a very different time. It has become outdated and an unnecessary burden to government capital projects. Freeing the economy from the constraints of this law will increase competition, reduce the cost of labor, and maximize the purchasing power of tax dollars, allowing local governments to better maintain important community services.

I believe the City of Brookfield and other local governments would benefit from repeal of our state's prevailing wage law pursuant to Assembly Bill 32.

I urge your favorable consideration of this bill.

Very truly yours,



Steven V. Ponto  
Mayor

cc: Senator Leah Vukmir; Representative Dale Kooyenga; Representative Rob Hutton;  
Wisconsin League of Municipalities; City of Brookfield Aldermen



May 1<sup>st</sup> 2015



Dear Wisconsin State Legislator:

The individuals who have signed this letter below collectively support the repeal of Wisconsin's Prevailing Wage Law, based on the laws impact to the School District of New Berlin.

The School Board of the School District of New Berlin is a public body that regularly authorizes construction projects that, under current law, requires the application of prevailing wage rates. The current law requiring the payment of prevailing wage, increases the cost of public projects by an estimated 10% or more, creating an unfair burden on the taxpayers of New Berlin and the State of Wisconsin.

As members of the School Board we believe in, and support competitive wage rates determined in a free market, unburdened by laws and regulations. Prevailing wage artificially increases wages above the free market. With several large projects on the horizon, including but not limited to: replacement of indoor pool, complete replacement of high school parking lot and HVAC system replacement/upgrade at three school buildings. Early estimates for these projects is between 8 – 10 million dollars. The Repeal of Wisconsin's Prevailing Wage Law would save the Tax Payers of New Berlin an estimated \$800,000.00 or more on the listed projects alone.

By my signature below, I attest to support the repeal of Wisconsin's Prevailing Wage Law as an individual taxpayer of the School District of New Berlin. Although I am a member of the Board of the School District of New Berlin, the above positions were not debated or approved by the School Board as an action of the school district.

For more information, Please contact Dave Maxey (262) 789-6590, ext. 2561

Dave Maxey, President

Susan Manley, Clerk

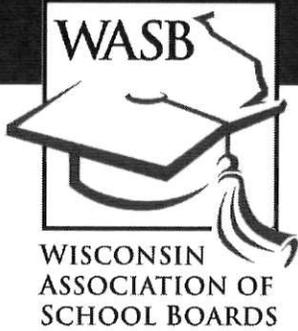
Jeffrey Kurth, member

Amy Crosby, member

Tom David, Vice-president

Jody Kugler, Treasurer

Nate Nickerson, member



122 W. Washington Avenue, Madison, WI 53703  
Phone: 608-257-2622·Fax: 608-257-8386

John H. Ashley, Executive Director

TO: Members, Assembly Committee on Labor  
FROM: Chris Kulow, Government Relations Specialist  
RE: Assembly Bill 32, relating to elimination of state prevailing wage law  
DATE: May 27, 2015

The Wisconsin Association of School Boards (WASB) supports Assembly Bill 32 which proposes to repeal the state's prevailing wage law.

Under current law Wisconsin school boards (and other local government units) planning to undertake building projects must apply to the state Dept. of Workforce Development (DWD) for a determination of the prevailing wage rate for each trade or occupation required by the project before soliciting bids or entering into contracts for the building project. DWD determines the prevailing wage rates and informs the school board within 30 days. This law applies to single trade projects of \$48,000 or more and to multiple-trade projects of \$100,000 or more.

A study from the Wisconsin Taxpayers Alliance (WISTAX) suggests the prevailing wage law cost taxpayers at least \$200 million last year, noting that state and local taxpayers would have saved anywhere from \$200 to \$300 million if market-based rates were paid on such projects.

The study's authors critiqued the law's narrow methodology in calculating prevailing wages and the inability of prevailing wage rates to mirror industry wage trends or regional disparities. As a result, prevailing wage rates are overestimated by 23 percent compared to federal Bureau of Labor Statistics (BLS) wage data for the same Wisconsin workers. When worker benefits are added in, taxpayers are paying for labor costs that are inflated by as much as 45 percent.

The state of Ohio exempted school construction from its prevailing wage law in 1997. Five years later the Ohio Legislative Service Commission (their Legislative Fiscal Bureau) found that Ohio schools had saved \$488 million or about 11 percent on construction spending.

Repealing the law or exempting school construction projects from this law's requirements would also remove "red tape" and simplify the construction bidding process for school boards. It may also encourage more local bidders by removing prevailing-wage-related record-keeping requirements on contractors. Often, local contractors are reluctant to bid on projects subject to the prevailing wage law because they believe the record-keeping requirements are burdensome or fear they may become subject to an audit of their employee payrolls. Changes in this law would help school boards build partnerships with local employers and help keep dollars in their local communities, strengthening those communities.



May 27, 2015

Assemblyman Andre Jacque  
Assembly Committee on Labor  
P.O. Box 7882  
Madison, WI 53707-7882

RE: Assembly Bill 32/Senate Bill 49  
Repeal of Prevailing Wage Requirements

Dear Chairman Jacque, Vice Chair Spiros, and Representatives Knodl, Kapenga, Kulp, Kuglitsch, Sinicki, Mason and Ohnstad;

I am writing to express my personal views regarding Assembly Bill 32 as an administrative professional having been charged with running county government operations in Ozaukee County since January 2000. Currently I am President of Wisconsin County Executives and Administrators' Association (WCEA) but my testimony is mine alone. These comments are not of a partisan perspective, but rather of an operational concern to correct inefficiencies and remove non-value added obstacles or constraints.

Since accepting the Administrator position in January 2000, our organization has undergone a dramatic transformation. With strong Board leadership we have flattened the organization chart, eliminating layers of management, consolidating committees and departments, empowering our employees, rewarding high performers, remaining laser focused on delivering cost effective public service. In short, Ozaukee County has dutifully "looked in the mirror," changing our structure, policies, reviewing and examining everything to enhance performance under the continuous improvement mantra. As a result of our action, Moody's upgraded Ozaukee County's bond rating from AA to AAA, we have built a capital and operating reserve, maintained our capital infrastructure, shared services with our local government partners, reduced full time equivalent positions, and taxed at or near the lowest rate in the State.

In my view Wisconsin could use a hard "look in the mirror," examining its myriad of mandated policies that do not add value but rather force local governments to spend more than necessary. Prevailing wage requirements are one such item. Recently our Highway Department did a paving project for Ozaukee High School. Since the project was in excess of \$100,000 the school had to pay the County more due to prevailing wage. Our employees got an additional 3% in a \$120,000

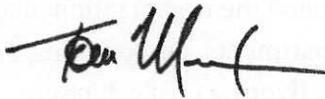
project. Town governments can use a non-union contractor for up to \$234,000 of work, but if they would like to utilize the county the threshold is \$100,000. What that arbitrary threshold contributed to organizational efficiency and sharing services is inexplicable.

This example is just the tip of the iceberg, especially so since we are one of seventy two counties in Wisconsin. Based on quick analysis prevailing wage requirements have cost an additional 2-3% of some of our projects without adding any importance. Taxpayers expect that government act more like a business. To address that challenge, removing artificial government constraints from delivering real value to the local taxpayers is extremely important.

I urge this Committee and ultimately our Legislature remove this prevailing wage requirement on local government. While you are at it, I recommend that you examine the current public bid threshold requirement of \$25,000 and get a perspective of how this adds costs such as architectural fees and preparation of detailed specifications for simple building projects such as a pole barn structure on our Fairgrounds or Highway Shop. From a more macro perspective, consider the 2012 U.S. Census data that indicates that Wisconsin is 20<sup>th</sup> highest in U.S.A. population with the 10<sup>th</sup> highest number of local governments. Can our children and grandchildren continue to afford the way we currently provide for their business?

Many County government leaders desire to work with the Legislature to allow us to “act more like a business.” Our mutual constituents expect continuous improvement.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Tom Meaux', with a stylized flourish at the end.

Thomas W. Meaux  
County Administrator Ozaukee County

May 26, 2015

My name is Lisa Rae Martin and I was an owner of a contract janitorial company for about 20 years. Growing to 625 employees, we became the 2<sup>nd</sup> largest in SE Wisconsin before we were acquired in 2007. Our company headquarters was in Milwaukee with offices throughout SE Wisconsin. I'm writing about Prevailing Wage as we had a lot of experience with this law, and I wanted to present from a business owner's point of view as we had to execute the process.

We had a separate division called the Special Projects Division. These employees would meet at our offices, load trucks with equipment required for the job and ride together to the job site. The Special Projects crew performed construction cleanups, which involved collecting and disposal of debris, sweeping, vacuuming, window washing, carpet cleaning, floor wash and wax, complete wipe down. These employees were paid \$9.00-\$14.00 per hour, depending on their skill set and experience.

From a logistics point of view, Prevailing Wage jobs were a nightmare to administer. First the contract and scope of the jobs, determining the county and P/W rate, and keeping track and reporting every employee's information on worksheets to submit with invoicing. Whether an employee worked 40 hours or 2 hours, all personal information had to be submitted, usually daily format, by week, every week. We were on an automated phone check in system and the manual recording of this information was cumbersome to say the least. Also, we paid our employees when they reached the office and started loading trucks along with transport to the job. The P/W rate went into effect when they started work at the job site, so another detail as hours were paid at two different rates.

Our work scope category fell under General Labor. This meant employees who were earning \$9.00-\$14.00 per hour had to be paid \$34-\$42.00 per hour for P/W. Employees were quite happy for the temporary raise, but we had to bid accordingly. So consider this, what we had to bid for prevailing wage jobs:

Increase pay from \$9-14 per hour to \$34-42 per hour. Besides the basic hourly increase, also translates into increased state and federal unemployment tax liability, workers compensation liability and social security match increase. We also had to consider the extraordinary amount of time dealing with burdensome paperwork. To be quite frank, there were jobs we bypassed for bid, because the P/W requirements made it a job not worth our while to even consider.

I believe Prevailing Wage may have been helpful at one point long ago, but it's time to revisit what its enforcement actually accomplishes today. This review is long overdue. The Park East in Milwaukee is an example. Participating in conversations with developers and construction companies, P/W and other restrictions made development an onerous task.....actually impeding progress. As a taxpayer, both businesswise and personally, the process was discouraging knowing we were throwing away tax dollars. The big picture? WE ALL PAY FOR THIS. Tax dollars could be put to such better use, or yet, let's lower rates and improve Wisconsin business climate's reputation.

**WILL**  
WISCONSIN INSTITUTE  
FOR LAW & LIBERTY



# **The Cost to School Districts Due to Wisconsin's Prevailing Wage Law**

**Rick Esenberg**  
President

**Martin F. Lueken, Ph.D.**  
Education Research Director

**CJ Szafir**  
Education Policy Director

May 20, 2015

## Introduction

School districts have decried Governor Walker's proposed reductions in anticipated state aid. While it now appears that these deferred increases will be reinstated, the controversy is instructive on another pending reform. There exists an antiquated, very costly mandate that forces school districts to pay above market wages for their construction projects. This is known as the prevailing wage laws. Reform would make much more money available for education. In this paper, we give examples for how much it might save particular school districts.

Much has been written about how this law – a super minimum wage for a select few – costs taxpayers. The Wisconsin Taxpayers Alliance issued a report concluding that if market wages were used instead of prevailing wages for state and municipal projects, in 2014, taxpayers could have saved between \$200 million and \$300 million. Americans for Prosperity used data to estimate the impact of prevailing wage laws on referendum projects in 2015 (\$37.8 million) and between 1995 and 2011 (\$890 million).<sup>1</sup>

WILL adds to the debate by estimating the potential savings to taxpayers over the last 5 years if all Wisconsin school districts paid market wages, instead of the prevailing wage, for projects approved by voter referendum. Using our methodology, we conclude that districts would have saved at least **\$163.2 million and \$244.8 million over the last five years (individual school district breakdown given by Table 2 on page 5).**

## Data and Methodology

We derive estimates for savings that school districts would have experienced had school bonding projects occurred without the prevailing wage laws. To do this, we use data from the Wisconsin Department of Public Instruction on school referenda passed since January 1, 2010. We exclude referenda that do not fall under prevailing wage laws, such as those associated with refinancing debt or land acquisition. In the last 5 years, there have been 142 referenda passed in 121 school districts resulting in \$1.8 billion worth of bonds issued. Districts that did not pass referenda in any of the last 5 years do not show up in the analysis.

Our estimates are based on savings rates calculated by the Wisconsin Taxpayers Alliance.<sup>2</sup> They estimated that savings from capital projects under market wages would have ranged from 9% to 13.5%. We apply this range to the school bond amounts.

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<sup>1</sup> <http://americansforprosperity.org/wisconsin/files/2015/05/Prevailing-Wage-School-Construction.pdf>  
<http://americansforprosperity.org/wisconsin/files/2015/04/Prevailing-Wage-District-By-District.pdf>

<sup>2</sup> To compute savings rates, the economists compared prevailing wage rates to market rates using data from the Wisconsin Department of Workforce Development and Bureau of Labor Statistics. To account for the fact that building projects costs are not entirely labor costs, assumptions are made about the labor's share of the project costs – they assume that labor's share is 20% to 30% of total costs. These assumptions are based on conservative ranges

Our estimates will likely understate actual savings because our study only uses project costs through school referenda only. School districts have other projects that fall under prevailing wage laws that are not taken up by referenda.

**Total Impact**

In using the methodology described above, **we conclude that school districts in Wisconsin could have saved between \$163.2 million and \$244.8 million over the last five years had school bonding projects been conducted under market wages instead of prevailing wage.** Figure 1 shows the findings.

**Figure 1: Projected savings for Wisconsin school districts if market wages instead of prevailing wages were used for school projects funded through referenda passed since January 1, 2010**



found in empirical labor economics studies. For further details, please refer to: Wisconsin Taxpayers Alliance (2015). *Evaluating Wisconsin’s Approach to Determining Prevailing Wages*, March 2015.

## Impact on Individual School Districts

Table 2 on page 5 shows the savings for all 121 school district in Wisconsin that passed referendum since 2010.

The calculations are revealing about the tradeoffs and difficult decisions that schools face because of the current law.

For example, Green Bay Area Public Schools and Menomonie Area *each could have saved as much as \$5 million* in the last 5 years. Baraboo, Pewaukee and Platteville could have saved up to \$2 million. The total savings in Prescott in the last five years range between \$2.9 million and \$4.3 million. Beloit would have spent between \$6.3 million and \$9.5 million less under market wages. Fox Valley school districts could have saved up to \$7.5 million.

Perhaps a lot of the angst expressed over the proposed reductions for many districts could have been avoided had prevailing wage been repealed. There was widespread concern among school and district leaders when the Governor released his proposal earlier this year. Cedarburg Superintendent Jonathan Lamberson said that budget reductions "definitely compounds the already massive fiscal challenges that Cedarburg and most other districts are already facing for next year."<sup>3</sup> It seems evident, however, that, for many districts prevailing wage laws were contributing factors to any fiscal challenges. Having to pay more than a market rate for new or renovated facilities will leave less money for everything else. While we cannot say for sure that repealing prevailing wage would have completely avoided these actual or perceived lack of funds, it would certainly have helped.

To offer additional perspective, we convert the total savings for each district to annual savings (second-to-last column in Table 1). These debt obligations are typically not paid off in one period. We assume a 20-year amortization schedule at 4% interest to determine how much each district would have saved each year for the next 20 years.<sup>4</sup> The last column reports how much this annual savings would have offset the proposed state aid reductions which have caused so much concern. The first year of proposed reductions *would have been offset by between 11% and 71% in these districts*. Of course, these districts would continue to save for the next 19 years while the proposed aid reductions were only to be temporary.

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<sup>3</sup> <http://www.jsonline.com/news/education/scott-walkers-budget-forcing-school-districts-to-trim-further-b99461926z1-296494961.html>

<sup>4</sup> We follow the Wisconsin Taxpayers Alliance methodology.

**Table 1: Estimated savings for school districts if market wages instead of prevailing wages were used for school projects funded through referenda passed since January 1, 2010**

District	Savings (9%) (A)	Savings (13.5%) (B)	proposed budget cut (C)	Difference (C-A)	Annual payment under 20-year schedule*	% offset
Appleton	\$2,250,000	\$3,375,000	\$2,190,225	-\$59,775	\$248,338	11%
Baraboo	\$895,500	\$1,343,250	\$454,275	-\$441,225	\$98,839	22%
Beloit	\$6,300,000	\$9,450,000	\$1,096,275	-\$5,203,725	\$695,348	63%
Green Bay	\$3,303,000	\$4,954,500	\$3,234,975	-\$68,025	\$364,561	11%
Hortonville	\$2,290,950	\$3,436,425	\$531,000	-\$1,759,950	\$252,858	48%
Menasha	\$2,699,550	\$4,049,325	\$558,900	-\$2,140,650	\$297,956	53%
Menomonie Area	\$3,240,000	\$4,860,000	\$501,000	-\$2,739,000	\$357,607	71%
Pewaukee	\$1,480,500	\$2,220,750	\$384,975	-\$1,095,525	\$163,407	42%
Platteville	\$1,350,000	\$2,025,000	\$220,725	-\$1,129,275	\$149,003	68%
Wausau	\$2,660,850	\$3,991,275	\$1,274,850	-\$1,386,000	\$293,685	23%

\* annual payments under 20-year amortization schedule and 4% interest rate

**Table 2: Estimated savings for school districts if market wages instead of prevailing wages were used for school projects funded through referenda passed since January 1, 2010 using different assumptions for the savings rate**

<b>District</b>	<b>Savings (9%)</b>	<b>Savings (11.3%)</b>	<b>Savings (13.5%)</b>
Adams-Friendship Area	\$414,000	\$519,800	\$621,000
Alma	\$270,000	\$339,000	\$405,000
Alma Center	\$927,000	\$1,163,900	\$1,390,500
Altoona	\$2,070,000	\$2,599,000	\$3,105,000
Appleton Area	\$2,250,000	\$2,825,000	\$3,375,000
Arcadia	\$1,260,000	\$1,582,000	\$1,890,000
Baldwin-Woodville Area	\$1,255,500	\$1,576,350	\$1,883,250
Bangor	\$52,200	\$65,540	\$78,300
Baraboo	\$895,500	\$1,124,350	\$1,343,250
Barneveld	\$105,750	\$132,775	\$158,625
Beloit	\$6,300,000	\$7,910,000	\$9,450,000
Berlin Area	\$1,683,000	\$2,113,100	\$2,524,500
Black River Falls	\$2,025,000	\$2,542,500	\$3,037,500
Blair-Taylor	\$1,528,650	\$1,919,305	\$2,292,975
Bloomer	\$1,575,000	\$1,977,500	\$2,362,500
Brillion	\$670,500	\$841,850	\$1,005,750
Bristol #1	\$477,000	\$598,900	\$715,500
Brown Deer	\$1,980,000	\$2,486,000	\$2,970,000
Cadott Community	\$860,850	\$1,080,845	\$1,291,275
Cambria-Friesland	\$112,500	\$141,250	\$168,750
Cambridge	\$417,150	\$523,755	\$625,725
Cameron	\$2,115,000	\$2,655,500	\$3,172,500
Cashton	\$1,107,900	\$1,391,030	\$1,661,850
Cedar Grove-Belgium Area	\$540,000	\$678,000	\$810,000
Clear Lake	\$577,350	\$724,895	\$866,025
Cudahy	\$531,000	\$666,700	\$796,500
Darlington Community	\$186,750	\$234,475	\$280,125
Deforest Area	\$3,690,000	\$4,633,000	\$5,535,000
Denmark	\$110,700	\$138,990	\$166,050
Depere	\$639,000	\$802,300	\$958,500
Desoto Area	\$678,150	\$851,455	\$1,017,225
Durand	\$1,213,200	\$1,523,240	\$1,819,800
East Troy Community	\$2,223,000	\$2,791,100	\$3,334,500
Eau Claire Area	\$4,666,500	\$5,859,050	\$6,999,750
Edgar	\$684,000	\$858,800	\$1,026,000
Edgerton	\$567,000	\$711,900	\$850,500
Elkhorn Area	\$1,837,800	\$2,307,460	\$2,756,700
Fall Creek	\$459,000	\$576,300	\$688,500
Fall River	\$220,950	\$277,415	\$331,425
Fennimore Community	\$530,100	\$665,570	\$795,150
Fox Point J2	\$625,950	\$785,915	\$938,925

Franklin Public	\$2,970,000	\$3,729,000	\$4,455,000
Glenwood City	\$831,600	\$1,044,120	\$1,247,400
Green Bay Area	\$3,303,000	\$4,147,100	\$4,954,500
Hartford J1	\$333,000	\$418,100	\$499,500
Hilbert	\$1,472,850	\$1,849,245	\$2,209,275
Horicon	\$256,500	\$322,050	\$384,750
Hortonville	\$2,290,950	\$2,876,415	\$3,436,425
Howards Grove	\$306,000	\$384,200	\$459,000
Howard-Suamico	\$1,206,000	\$1,514,200	\$1,809,000
Ithaca	\$357,300	\$448,610	\$535,950
Jefferson	\$3,167,100	\$3,976,470	\$4,750,650
Johnson Creek	\$1,701,000	\$2,135,700	\$2,551,500
Kaukauna Area	\$14,299	\$17,954	\$21,449
Kenosha	\$1,503,000	\$1,887,100	\$2,254,500
Kettle Moraine	\$4,464,000	\$5,604,800	\$6,696,000
Kewaunee	\$1,458,000	\$1,830,600	\$2,187,000
Kiel Area	\$585,000	\$734,500	\$877,500
Lacrosse	\$1,413,000	\$1,774,100	\$2,119,500
Lake Mills Area	\$1,683,000	\$2,113,100	\$2,524,500
Linn J6	\$252,000	\$316,400	\$378,000
Lomira	\$2,160,000	\$2,712,000	\$3,240,000
Luck	\$108,000	\$135,600	\$162,000
Luxemburg-Casco	\$496,800	\$623,760	\$745,200
Madison Metropolitan	\$3,690,000	\$4,633,000	\$5,535,000
Mauston	\$225,000	\$282,500	\$337,500
Menasha	\$2,699,550	\$3,389,435	\$4,049,325
Menomonie Area	\$3,240,000	\$4,068,000	\$4,860,000
Mequon-Thiensville	\$1,638,000	\$2,056,600	\$2,457,000
Middleton-Cross Plains	\$5,387,400	\$6,764,180	\$8,081,100
Mondovi	\$135,000	\$169,500	\$202,500
Mount Horeb Area	\$1,500,300	\$1,883,710	\$2,250,450
New Glarus	\$661,500	\$830,550	\$992,250
North Lake	\$203,400	\$255,380	\$305,100
Norwalk-Ontario-Wilton	\$522,000	\$655,400	\$783,000
Oak Creek-Franklin	\$5,318,550	\$6,677,735	\$7,977,825
Oconto	\$819,000	\$1,028,300	\$1,228,500
Oconto Falls	\$198,000	\$248,600	\$297,000
Omro	\$90,000	\$113,000	\$135,000
Onalaska	\$1,440,000	\$1,808,000	\$2,160,000
Oregon	\$4,914,000	\$6,169,800	\$7,371,000
Osceola	\$270,000	\$339,000	\$405,000
Oshkosh Area	\$1,169,550	\$1,468,435	\$1,754,325
Osseo-Fairchild	\$495,000	\$621,500	\$742,500
Pardeeville Area	\$162,000	\$203,400	\$243,000
Parkview	\$1,530,000	\$1,921,000	\$2,295,000

Pewaukee	\$1,480,500	\$1,858,850	\$2,220,750
Platteville	\$1,350,000	\$1,695,000	\$2,025,000
Port Washington-Saukville	\$4,446,000	\$5,582,200	\$6,669,000
Poynette	\$115,650	\$145,205	\$173,475
Prescott	\$2,868,300	\$3,601,310	\$4,302,450
Pulaski Community	\$393,300	\$493,810	\$589,950
Randolph	\$1,581,300	\$1,985,410	\$2,371,950
Random Lake	\$765,000	\$960,500	\$1,147,500
Raymond #14	\$417,600	\$524,320	\$626,400
Rhineland	\$1,233,000	\$1,548,100	\$1,849,500
Rib Lake	\$360,000	\$452,000	\$540,000
Rice Lake Area	\$1,828,800	\$2,296,160	\$2,743,200
Ripon Area	\$2,619,000	\$3,288,300	\$3,928,500
River Falls	\$1,714,500	\$2,152,650	\$2,571,750
Saint Croix Central	\$2,159,550	\$2,711,435	\$3,239,325
Sauk Prairie	\$3,117,600	\$3,914,320	\$4,676,400
Sharon J11	\$538,200	\$675,740	\$807,300
Shullsburg	\$123,750	\$155,375	\$185,625
Somerset	\$715,500	\$898,350	\$1,073,250
Stone Bank School District	\$225,000	\$282,500	\$337,500
Stoughton Area	\$652,500	\$819,250	\$978,750
Suring	\$81,000	\$101,700	\$121,500
Tomorrow River	\$765,000	\$960,500	\$1,147,500
Twin Lakes #4	\$539,100	\$676,870	\$808,650
Union Grove UHS	\$199,350	\$250,295	\$299,025
Watertown	\$558,000	\$700,600	\$837,000
Waunakee Community	\$4,792,500	\$6,017,250	\$7,188,750
Wausau	\$2,660,850	\$3,340,845	\$3,991,275
West Bend	\$2,057,850	\$2,583,745	\$3,086,775
White Lake	\$269,550	\$338,435	\$404,325
Whitehall	\$1,125,000	\$1,412,500	\$1,687,500
Whitewater	\$168,300	\$211,310	\$252,450
Williams Bay	\$1,791,000	\$2,248,700	\$2,686,500
Winneconne Community	\$423,000	\$531,100	\$634,500
Wonewoc-Union Center	\$108,000	\$135,600	\$162,000
<b>TOTAL</b>	<b>\$163,217,149</b>	<b>\$204,928,199</b>	<b>\$244,825,724</b>

TO: Members of the Assembly Committee on Labor  
FROM: Randy Jaeckels, General Manager New Holstein Utilities  
DATE: May 26, 2015  
RE: New Holstein Utilities Testimony on AB 32

As I am unable to appear before you in person at tomorrow's public hearing on AB 32, please accept this written testimony in support of the elimination of the requirement that certain workers on public works projects be paid the prevailing wage. My name is Randy Jaeckels, and I am the General Manager of New Holstein Utilities. New Holstein Utilities is a municipally-owned electric, water, and wastewater utility. We have been in business since 1912 and we serve approximately 2,774 customers in the City of New Holstein and five surrounding townships.

Maintaining reliable utility infrastructure is an ongoing challenge for New Holstein Utilities. A recent report from the Wisconsin Taxpayers Alliance (WISTAX) shows that Wisconsin's prevailing wage law results in higher costs to municipal utility ratepayers. As the study highlighted, Wisconsin's current formula for determining wages is flawed and results in overall compensation packages that are 44 percent higher than Bureau of Labor Statistics. Furthermore, due to existing project thresholds for public works projects, nearly every project New Holstein Utilities cannot complete in-house qualifies for prevailing wage due to the relatively low threshold of \$100,000 for multi-trade projects. A \$100,000 threshold amounts to roughly one-half block of water distribution or wastewater collection infrastructure and a very small section of our electric distribution system. Additionally, the threshold puts us at a competitive disadvantage with surrounding investor-owned electric utilities who are not subject to prevailing wage law – which lowers their infrastructure replacement costs on comparable projects.

In 2014, New Holstein Utilities participated in a joint infrastructure improvement project with the City of New Holstein and the Calumet County Highway Department. As a part of the scope of the project, New Holstein Utilities replaced 3,000' of sanitary sewer main and 4,500' of water main plus other infrastructure at a cost of \$896,000. We utilized the WDNR's Safe Drinking Water Loan Fund and the Clean Water Loan Fund to finance these projects. These projects required the use of prevailing wage.

In 2015, we are again utilizing the WDNR's Clean Water Loan Fund to assist in financing a \$2,149,000 wastewater treatment plant improvement project. Again, this project requires the use of prevailing wage.

Due to the prevailing wage component of the loans, it is estimated that New Holstein Utilities could pay up to \$90,500 or more in labor costs for the total of these projects. In 2013, we completed two water and sanitary sewer improvement projects in the City of New Holstein which we did not finance. Both projects were one-block in length. The costs of these projects were \$113,225 and \$136,700 respectively. As noted earlier in my comments, the savings of not paying the prevailing wage rate could have paid for a large percentage of one of these projects.

Eliminating prevailing wage requirements from local utility projects will save Wisconsin ratepayer dollars, cut burdensome red-tape, and provide utilities with more resources to spend on replacement of critical aging infrastructure. I urge the committee to support passage of AB 32.



# AMERICANS FOR PROSPERITY

WISCONSIN

Dear Chairman Jacques and members of the committee,

On behalf of more than 125,000 Americans for Prosperity activists across Wisconsin, I write in strong support of AB 32, which would repeal the state's outdated and costly "prevailing wage" statute.

Eliminating this antiquated anti-free market law could save taxpayers as much as forty percent on publicly-funded construction projects. In fact, our analysis determined that on school construction projects alone, Wisconsin taxpayers could have saved over \$890 million since 1995 were it not for this costly mandate.

Those are real savings that could have been spent in the classroom, on fixing roads, or given back to the hardworking Wisconsinites who earned that money in the first place.

This Depression-era mandate serves only to harm taxpayers, small-businesses and job-seekers.

Moreover, there seems to be little method to the madness – or at least, not any reasonable method. According to the MacIver Institute, taxpayer-funded prevailing wages are calculated using only the top half of wages reported on a survey returned by just one-tenth of businesses in the state – hardly a fair and representative baseline.

Worst, these government-mandated wages disproportionately harm struggling Wisconsin communities. Since the rates rarely mirror local market wages, poorer communities are forced to devote a larger share of their income to public construction projects. The difference between government-mandated wages and average market wages is often highest where the income of taxpayers funding these projects is lower.

Our state is constantly mired in debate over government spending on things such as education and now trying to figure out a transportation budget without increasing taxes. It would be absurd to demand even more from the paychecks of hardworking Wisconsinites while leaving this expensive, unnecessary mandate in place.

Once again, on behalf of more than 125,000 activists across the state of Wisconsin, Americans for Prosperity strongly supports AB 32, repeal of the state's prevailing wage statute. We will applaud legislators who vote to protect taxpayers, and hold accountable those who protect the outdated status quo instead.

Thank you.

Sincerely,

Annette Olson

Deputy State Director

Americans for Prosperity-Wisconsin



## UTILITIES

Reliability comes **NATURALLY** here

TO: Members of the Assembly Committee on Labor  
FROM: Dennis Bednarski, General Manager  
DATE: May 26, 2015  
RE: Oconomowoc Utilities Testimony on Assembly Bill 32

Please accept this written testimony in lieu of my appearance before committee tomorrow in support of Assembly Bill 32, relating to elimination of the requirement that certain workers on public works projects be paid the prevailing wage. My name is Dennis Bednarski, and I am the General Manager of Oconomowoc Utilities. Oconomowoc Utilities is a municipally-owned electric and water utility. We have been in business since 1900 and we serve 5,887 Water customers and 9,278 Electric customers in the City of Oconomowoc and surrounding townships.

Maintaining reliable utility infrastructure is an ongoing challenge for Oconomowoc Utilities. A recent report from the Wisconsin Taxpayers Alliance (WISTAX) shows that Wisconsin's prevailing wage law results in substantially higher costs to municipal utility ratepayers. As the study highlighted, Wisconsin's current formula for determining wages is flawed and results in overall compensation packages that are 44 percent higher than Bureau of Labor Statistics. Furthermore, due to existing project thresholds for public works projects, nearly every project Oconomowoc Utilities cannot complete in-house qualifies for prevailing wage due to the relatively low threshold of \$100,000 for multi-trade projects. A \$100,000 threshold amounts to roughly one-half block of water distribution or wastewater collection infrastructure and a very small section of our electric distribution system. Additionally, the threshold puts us at a competitive disadvantage with surrounding investor-owned electric utilities who are not subject to prevailing wage law – which lowers their infrastructure replacement costs on comparable projects.

Requiring prevailing wage on utility projects leads to increased costs for ratepayers, taxpayers and adds administrative costs to the management of the project. For example, our new Community Center project was a prevailing wage project and presented a number of administrative challenges for our city. Those challenges included spending significant city and county time to track down and verify gaps in the accuracy of payroll documents that were submitted by the project manager. The subcontractors did not always turn in the payroll in a timely fashion which lead to our project manager spending additional time

and dollars retrieving payroll. When payroll was submitted it was not always complete or the type of work was not classified in the appropriate category listed in the prevailing wage requirements. The challenge was that some contractors used different job titles than those identified in the prevailing wage requirements, and would inaccurately classify a wage category. Additionally, this project had a variety of subcontractors who would finish their work at different times during the construction schedule. At the conclusion of the project the certified payrolls were not up to standard and had significant time gaps that had to be tracked down and documented. As a result, the city and the county spent significant amounts of time and money to track down the missing pieces and verify that they were accurate

Under existing project thresholds any multi-trade project above \$100,000 must be designated as a prevailing wage project. However if a project involves any state grants, no matter what the project cost, it is designated as a prevailing wage project. The purpose of these grants is to help the community lower the cost of construction projects but it comes with a high administrative burden cost and seems counterintuitive that we are ensuring a higher wage to only add on the additional tax burden and rate payer burden.

As an example, we had a pavilion project that had no local tax dollar involvement that had to be bid out for prevailing wage simply because of the grant money received. The City of Oconomowoc received \$100,000 from a Stewardship Development Grant and Recreational Trails Grant which are both managed by the DNR Stewardship Program. Another example included construction of a washroom pavilion project which would have cost under \$100,000 but because of a CDBG grant of \$50,000 it had to be bid out for prevailing wage. The end result cost us additional dollars because of the type of work that needed to be done and the additional dollars to complete the task to certify payroll.

Eliminating prevailing wage requirements from local utility projects will save Wisconsin rate/tax payer dollars, cut burdensome red-tape, and provide utilities with more resources to spend on replacement of critical aging infrastructure. I urge your support for passage of Assembly Bill 32.

Thank you,

Dennis Bednarski  
General Manager  
Oconomowoc Utilities

## PREVAILING WAGE LAW BULLET POINTS

Erratic wage rate swings from year to year for many skills due to poor smaller contractor response and too small sample

500 hours per year of commercial construction labor – large contractors dominate the hours sample

Prevailing Wage labor rate keeps contractor per diem and auto mileage expense down. This is good for large statewide contractors

Out of area contractors can afford to bid jobs where workers have to commute to job or stay in job area

Small contractors won't bid big jobs but large contractors bid smaller jobs. PWL wage rates allow large contractors to keep guys working when work is slow or use the job as a "fill-in" job

Small residential contractors (fewer than 10 workers) avoid PWL jobs so that they don't have to choose who builds the "price competitive" 2000 square foot house at \$20 to \$25 per hour while paying the PWL workers \$35 to \$45 per hour (with the fringe adder) on the PWL job

The PWL squeezes out the local contractors that live in the district send their kids to the schools, pay the taxes that support the schools and end up paying higher taxes because major work in the district costs up to 15% and more due to the high PWL wage rates

The Average Gross Income (Mom and Dad working in most cases) for families in districts with fewer than 1000 students in rural settings and small municipalities is less than \$50,000 per year. Those are \$10 to \$20 per hour wages typical to most rural areas. Why must we pay two to three times that wage rate on a PWL job when the same skills can be provided locally at a much lower rate?

Current law is unfair to school districts regardless of size, property wealth or personal family wealth. Small municipalities with populations under 2500 are EXEMPT from the law. Those over 2500 have a project threshold of \$234,000 before the law applies. School districts, regardless of size or wealth, come under the law when the project cost (less architect and administrative fees) bids out over \$100,000. Not much major remodeling in older school buildings can be done for under \$100,000.

John P. Nyhuis

Oakfield, WI

920-948-6888 (cell)

JNyhuis@marchantschmidt.com (work email)

# Prevailing Wage Law punishes school districts

I am writing in response to a recent Letters to the Editor article deriding the current Wisconsin Prevailing Wage Law (PWL) that forces public agencies with planned construction projects to pay contractors and sub-contractors a state mandated "prevailing wage" on that project.

So how does the PWL "punish" school districts?

For cities, villages and townships with populations under 2500, the project has to cost over \$234,000 before the PWL would apply. But, in the case of school districts, (and any other project funded by taxpayer's dollars) the threshold is a meager \$100,000.

Small financially strapped rural school districts are "punished" the worst by this law because even small projects requiring outside labor, material plus furnishings can easily top \$100,000. At a minimum, the PWL should include small rural school districts in the \$234,000 threshold that currently applies to cities, villages and townships.

A perfect example is a remodel project that was planned for one of two buildings in our 500 student small rural district. Preliminary quotes from local contractors had the cost at \$125,000 but, by the time the architect got done with the drawings, we were informed that the project fell under the PWL and the cost of the project, along with the architect fee, was now approaching \$200,000. The now way-over-budget project had to be scrapped.

If the district would have had the \$234,000 threshold to work with avoiding the PWL, the project could have been completed.

John Nyhuis

W7119 Kenyon Road

Oakfield, WI 53065

920-583-4318

920-948-6888

**Fwd: Prevailing Wage Information**John Nyhuis [[jnyhuis@oakfield.k12.wi.us](mailto:jnyhuis@oakfield.k12.wi.us)]

Sent: Tuesday, May 26, 2015 9:06 PM

To: John Nyhuis

----- Forwarded message -----

From: **John Nyhuis** <[jnyhuis@oakfield.k12.wi.us](mailto:jnyhuis@oakfield.k12.wi.us)>

Date: Fri, May 1, 2015 at 9:47 AM

Subject: Fwd: Prevailing Wage Information

To: knyhuis43 <[knyhuis43@hotmail.com](mailto:knyhuis43@hotmail.com)>

----- Forwarded message -----

From: **John Nyhuis** <[jnyhuis@oakfield.k12.wi.us](mailto:jnyhuis@oakfield.k12.wi.us)>

Date: Sun, Feb 8, 2015 at 11:15 PM

Subject: Re: Prevailing Wage Information

To: "Pratt, Phillip" <[Phillip.Pratt@legis.wisconsin.gov](mailto:Phillip.Pratt@legis.wisconsin.gov)>

Phillip:

Thank you for your interest in the impact of the prevailing wage law on smaller school districts. Smaller districts (fewer than, let's say, 1000 students), typically have smaller capital improvement projects in usually no more than three buildings (elementary, middle and high). These districts are usually rural and they are scattered throughout the state.

Being a small district doesn't mean that you are a "poor" district but a goodly number of these districts can be found in the northern half of the state where wages are low and job opportunities are few. Oakfield (500 students total) is not a poor district, per se, but we certainly are not wealthy.

When small districts see the need to upgrade their buildings either because they are in disrepair (Oakfield's HS is 50 years old and, for the most part, original equipment) or because student population demands some physical changes to the buildings, the district will usually go to small local contractors (five or fewer employees) that are residents of the district. These are usually residential home builders, plumbers, electricians, cabinet makers, painters, masons and the like. The spouse takes care of the financial side of the business and the husband and some full time (and a couple of seasonal employees) do the physical labor.

In our situation two years ago, Oakfield saw the need to bring another grade into the middle school that is actually a part of the high school. We wanted to move some rooms around, buy some new science and chemistry cabinetry and equipment, replace some hallway flooring, add some acoustical ceiling, plumbing and electrical work and the like. Some local contractors gave us a budget estimate around \$125,000 and they said that they felt comfortable with those numbers.

Mistake number one. The building Principal recommended that we hire an architect. This project did not need an architect but we hired one. The architect came up with a \$30,000 quote which turned into a contract signed by the principal. Not a good start towards a \$125,000 total budget. The \$30,000 doesn't

count against the threshold for Prevailing Wage but that was just the beginning.

The architect decided, based on sketches provide by the principal, that the total cost of this project was going to exceed \$100,000 and would be subject to the Prevailing Wage Law for wages and benefits. That is when I took over management of the project. Because of the Prevailing Wage Law, my local guys decided to walk away from our project because they didn't want to expose their employees to the major wage differences between the PWL and what they were paying their employees. Their employees weren't really underpaid but, when you add the dollar value of major base wage difference plus the health, pension and all of the other benefits that make up the PWL, they wanted no part of our project. And that doesn't even include the required paperwork tied to the PWL that the local guy's spouse would have to wade through and provide to the state.

So, with my local guys out of the picture I had no choice but to go to the larger contractors for carpentry, plumbing, electrical and the like and they didn't care if the project was PWL or not because that is what it cost them for their labor already.

So who were the losers here? Had the project not grown to be way over budget because of the \$30,000 "surprise" architect fee and the added cost of PWL wages, we could have completed it for around \$150,000 but, in the end, it climbed well over \$175,000 and the whole project was scrapped. The losers were the small school district and the local contractors who, because of this law, weren't able to be a part of something really needed in our district.

As a postscript. We are going to be doing some major work in the High School this year that yes, will be over \$100,000 and yes, we filled out the PWL paperwork. We were fortunate to have some unused loan dollars, got a bunch of "choice In" kids and now have a healthy fund balance. What is being done doesn't apply to any of our local guys but we will be paying PWL wages for our new gym floor, new bleachers, new lockers and new hallway tile. We told the bidders up front that we were under the PWL for this project because of the total cost.

It would be interesting to find out what their bids would have been had we had the \$234,000 PWL threshold (instead of \$100,000) that the village of Oakfield has because they are a municipality under 2500 residents (1100 to be exact). Our two school buildings are inside the village, but for the PWL, we are an island all to ourselves.

I know how difficult it is to get a law off the books after it is on. And I'm sure that the larger contractors want to be protected from the little guys who might take some of their smaller fill-in jobs away. But for the sake of the small rural school districts that don't have a huge property tax base and a lot of money to spend, at least allow them to work under the same \$234,000 (or preferably higher) PWL threshold that the smaller municipalities operate under.

Respectfully,

John Nyhuis - Board Member  
Oakfield School District

P.S. As for documentation, if the local guys will provide it, I will ask them what kind of wage and benefit package they have for their full time employees (seasonal full time usually have no benefits but would have to be paid PW). That can be compared to the PWL wages for similar skills in Fond du Lac County. I could do the same thing for the people who will be doing the gym floor, bleachers, lockers,

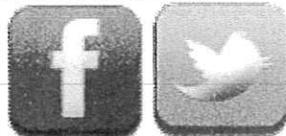
etc. for this year's high school building projects. As of Tuesday I will be gone from the area for two weeks so I wouldn't be able to do anything until I return. I can, however, be reached on my cell phone 920-948-6888 while I am travelling.

On Wed, Feb 4, 2015 at 3:47 PM, Pratt, Phillip <[Phillip.Pratt@legis.wisconsin.gov](mailto:Phillip.Pratt@legis.wisconsin.gov)> wrote:  
Good Afternoon Mr. Nyhuis,

My name is Phillip Pratt and I work for Rep. Rob Hutton in the State Assembly. Rep. Hutton recently came out with legislation to eliminate the state's prevailing wage laws. Rep. Thiesfeldt sent us your article from the Fond Du Lac Reporter on how prevailing wage law prevented the Oakfield School District from completing a remodel project. I was wondering if you would have time to talk about this further and to see if you had any documents you may be able to share with our office regarding the comparative costs of the project.

Thank you for your time and I look forward to hearing from you.

Phillip Pratt  
Legislative Assistant  
Office of State Representative Rob Hutton  
13<sup>th</sup> Assembly District  
State Capitol, Room 220 North  
(608) 267-9837



## Prevailing Wage Law (PWL) Conversation with Business Partners/Recommendations

### Business Partner Comments

Russ Bonifiglio, Goodson Furniture and Equipment, Milwaukee – The rate he pays is probably higher than the PW rate since he uses union installers to remove and replace the hallway lockers and gym bleachers. So what happens if he is in a very competitive situation and can't ask his installers to take a lesser wage lower than the PW rate because of the law. He said that then he goes back to the manufacturer to get money off and/or cuts his own profit to get a sizable order. He also indicated that, in the case of lockers and bleachers, the material costs are far higher than the labor to install the products.

Steve Stalker, Stalker Flooring Inc. – New London – He pays at least the PW rate and uses the same experienced workers every time to install his flooring. The risk of not installing the underlayment correctly as well as the selection and installation of the boards themselves is not worth the savings from using less expensive labor. The question is, what labor code does he use especially when gym floor companies are a niche business and I don't see hardwood floor installers as a PWL labor code.

Tim Twohig, Floor Quest – Fond du Lac – They avoid bidding PWL jobs for three reasons, two in particular. They don't pay their vinyl tile setters the \$31/hr PW rate for regular residential or commercial jobs. Their best people might get \$25 and others less experienced, although not specified, more like \$20/hr. He doesn't want his installers exposed to the high PW rates and start asking the question, who is paying that kind of money. Secondly, even when he bids the job at the PW rate, the fear is, with the high wage rate, will his guys "milk" the job to take more money home at the expense of a reasonable profit for the business. And thirdly, there is always the weekly reporting to DWD which adds to the office workload depending on how many workers are on the job.

Steve Cardinal – Cardinal Plumbing – Fond du Lac - Steve is a "one-man plus a part time helper operation" and does residential and small commercial jobs. Since he has a part time helper who is more of a second-set-of-hands-go-for person, even under PWL, he finds a lower PW rate and still keeps his prices down. He does very few PWL jobs because of the paperwork.

Dennis Winkler – Specht Electric – Fond du Lac office - Specht Electric is a large electrical contractor operating out of more than one location. Dennis indicated that they pay close to the PW rate for their electricians and that they also participate in the PWL Survey each year. Because of their size and the number of jobs they have in process at any one time, labor tracking by job is a necessity and filing the PWL reports is just another part of doing business.

Jim Towne – Towne Construction – Oakfield – One of three small residential contractors in the Oakfield school district that currently has two or three carpenters (as many as 10 before the housing bust). He does not pay the \$33/hr PW rate and, similar to Tim Twohig above, pays a foreman about \$25/hr and the other skilled carpenters around \$20/hr. He also stated that, unless he didn't have a

residential job to do and wanted to keep his two or three guys busy, he wouldn't bid the PWL job because of the wage rate difference. Exposing small town local guys to these much higher PWL wage rates disrupts the delicate business relationship between competitors in these small rural communities.

Dan Price – AitTech Heating/Cooling – Fond du Lac- Dan is the largest residential HVAC business in Fond du Lac and the surrounding area. He is well aware of the PWL and its requirements and seldom, if ever, bids a PWL job. The current \$30/hr rate is about \$10/hr more than he currently pays his shop guys and he has enough residential (new and replacement) to keep him busy without exposing his people to the higher rate plus the added “every Monday” report that has to go to the DWD.

Todd Cardinal – Cardinal Construction – Fond du Lac – Todd operates a medium sized commercial construction company with carpenters, block and brick layers, cement finishers and iron workers. He subs out his plumbing, electrical and HVAC. Like Dennis Winkler of Specht above, Todd pays wages very close to the PW rates and participates in the DWD annual survey. He bids a PWL job just like any other job.

Steve Davis, Badger Environmental, Fond du Lac – The current 2015 PWL rate (\$18) is what he pays for labor now but the unusual \$37 (plus fringes) rate that appeared in 2013 (see below) would be something he would walk away from so his workers wouldn't question, who came up with that rate for this area? Asbestos abatement is very labor intensive with little material involved in the process.

## Conclusions

PWL wage rates do not reflect the wages paid by smaller locally owned businesses. They better reflect wages paid by medium to large contractors and building trades that hire union tradesman for their jobs. The small businessman's interests are not even “on the radar” with this program.

If I were to pick a number, base wages alone are \$5 to \$10 per hour more on the PWL chart compared to what local businesses say they are paying their people for the same skill. Add to that the roughly \$15/hr for fringes that must be paid to the employee if an amount equal to that is not being paid on behalf of the employee by the employer. The fringe part can be very expensive on any given PWL job especially if the spouse of the employee works and has a family health insurance plan where he (or she) is employed that covers the family. The employee's spouse may also be contributing to some type of pension plan. Even though health insurance and pension benefits are being covered by the spouse, the employee still has to be paid the \$15 per hour for fringes.

A \$30/hr PWL wage is now up to \$45/hr paid directly to the employee.

One PWL Survey feature that skews the data in favor of the businesses that currently pay close to PWL wages (union in most cases) is the requirement for survey respondents in a given county to

submit wage rates paid on a minimum of 500 hours of work performed on “commercial” jobs in a year, not a residential (typically non-union) job. That can rule out the Tim Twohigs, Steve Cardinals and Jim Townes of the world but, if they were “fortunate” to do a couple of commercial jobs, their \$20 to \$25/hr rates would carry very little weight thrown in with all the wage samples turned in by the larger commercial contractors.

As an aside, the PW rates are far from representative in some cases from year to year. Major volatility in a rate from one year to the next (both up and down) has occurred and if not challenged before the deadline, that is the rate paid for that year. Three examples from Fond du Lac County follow.

Out of 20 skilled building trades looked at, three trades had volatility from year to year as shown below:

302 Asbestos Abatement	2012 (\$15.00/hr)	2013 ( <b>\$34.78/hr</b> )	2014 (\$19.00/hr)	2015 (\$18.00/hr)
115 Insulator (blown-batt)	(\$23.62/hr)	(\$27.47/hr)	<b>(\$15.00/hr)</b>	(\$32.72/hr)
147 Siding Installer	(\$36.60/hr)	(\$37.20/hr)	<b>(\$25.72/hr)</b>	(\$36.17/hr)

As a final note, the artificially high union driven wage rates that appear in the PWL tables are particularly damaging when you compare school districts to municipalities. Smaller local contractors and other local tradesmen with lower labor rates are, for the most part, left out of the bidding process for all of the reasons pointed out above. Even in those instances where a small contractor is willing to expose his employees to these inflated wage rates, he could still lose out on the job because large contractors typically get discounted rates on materials combined with yearend rebates based on total dollar volume of purchases for the year. Smaller contractors seldom see that.

Small municipalities are better off than small school districts for two reasons. A village or township with fewer than 2500 population does NOT have to adhere to the PWL rates if the total content of the job is less than \$234,000 (excluding architect and administrative costs).

In contrast, a school district with no regard to enrollment size, average income of the families within the district or property values must adhere if the total bid content for the job exceeds \$100,000 (excluding architect and administrative costs). In today’s world, not much can be done in a school building (or a couple of buildings) for \$100,000.

**Recommendations**

Totally eliminating a law can be cumbersome but making changes to a law is doable. Let’s look at some potential changes.

For consistency and short of exempting school districts from the law, for those municipalities of fewer than 2500 population that may have a small school district like Oakfield within it's boundaries, bump the PWL threshold up to at least the \$234,000 enjoyed by the municipality. More realistically the number should be \$500,000 (or even higher) for major projects involving older building remodel projects. This would be an easy change for starters and wouldn't cost the taxpayers any dollars.

Other Considerations. There are some small more wealthy school districts that lie within small municipalities that can well afford a larger "remodel bill" than an Oakfield or some other small northern Wisconsin district. Consider the following for identifying the school districts that really need a PWL break for their much needed building improvement projects to improve their learning environments.

**Size** – Small districts have higher per student costs because of fixed costs that have to be absorbed by a small student population and a lower property tax base (primarily residential .... little or no industry). Use size as one of the criteria for exemption from PWL.

**Family Income** – School Facts 14 (Dale Knapp-Wisconsin Taxpayers Alliance) is a great resource for school district related data on just about any subject. I tell you this because a second and possibly more important factor for exempting a school district from PWL is the ability to pay. From 2011 tax returns, School Facts 14 reported that the average adjusted gross income for all k-12 districts (excluding Milwaukee County) was \$51,352. In contrast, the k-8 district average was \$68,429 and UHS (Unified High School) average was \$67,543. The Mequon-Theisville district was \$154,289. Just above M-T in the report was Mauston with 1,451 students and an AGI of \$38,393 and Marion with 507 students and an AGI of \$38,710. Oakfield, incidentally, is at \$49,942 .... Not poor but not wealthy by any stretch. Consider Average Gross Income as part of the exemption criteria.

**Equalized Value (property values)** – Rural school districts in particular are "property poor" and don't enjoy the property tax base of more urban districts. In high property value districts, low family income can be offset by revenue from higher industry property tax dollars. Consider District Equalized Value as part of the exemption criteria.

In closing, if the PWL isn't eliminated during this session or in a later session, it is extremely important to small and economically disadvantaged school districts for something to be done to allow more local contractors (who are local homeowners and tax payers) to participate in remodeling projects at wage rates that better represent the wages of the stakeholders paying the bills and not the wages paid in wealthier districts. This action could go far to generate projects for improving small disadvantaged school district learning environments.

John Nyhuis

W7119 Kenyon Road

Oakfield, WI 53065

920-948-6888 cell

920-583-4318 home

## FW: School Districts could save \$245 million with prevailing wage repeal

KARIN NYHUIS [knyhuis43@hotmail.com]

Sent: Tuesday, May 26, 2015 9:19 PM

To: John Nyhuis

Attachments: WILL Brief\_prevailing wage~1.pdf (423 KB) ; PREVAILING WAGE - FOND DU~1.docx (11 KB)

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Date: Sun, 24 May 2015 23:50:29 -0500

All:

Above are two attachments, one from WILL (Wisconsin Institute for Law and Liberty) and the second, wage rates that I found in the DWD data base supporting Jackie Hungerford's contribution to Betsy Thatcher's article in the recent WPRI (Wisconsin Policy Research Institute) newsletter (Note: This attachment also shows how erratic the PWR wage rates are year to year).

In regards to the latter, the local painter that was contracted to paint the Oakfield gymnasium had an original quote of \$5364 to prepare and paint the walls but, after we told him that the project would be subject to the PWL rate for painters, he increased his quote to \$6213 (a 15.8% increase). That meant that he had to pay a wage rate that was 15.8% higher than what he was currently paying. In essence, his \$19.45/hour rate had to be increased to the PWL rate of \$22.53.

To add insult to injury, when we turned the paperwork in to the DWD, they indicated that the rate for 2015 was now \$42.35. Jackie indicated that it took a number of phone calls to the DWD to get the rate back to the 2014 amount because that was the rate that the district had accepted in the painter's revised quote back in late 2014 and had budgeted for.

As an example of what the erratic PWR rates can do to a school district depending on the year the project is quoted for "budget purposes" versus the year the contracts are actually signed, lets assume the labor hours for the gym painting was estimated at 100 hours. At \$19.45/hour the labor portion would have been \$1945. The 2014 PWL rate of \$22.53 increased the labor portion to \$2253 but, had the contract been signed a few months later after the 2015 rates were published, the district would have had to pay \$4235 for the labor portion. Just another example of how flawed the PWL labor rates are year to year.

As with other smaller contractors in the area, at \$42.35/hour this contractor probably would have cancelled the contract and walked away from the job because he has a number of small crews and the wage difference between the PWL job and his other private sector residential/commercial/industrial jobs would be enormous and could cause him employee problems.

If not eliminated, the PWL must be examined for all of the shortcomings in the current law and those shortcomings addressed. At a minimum, the ridiculous \$100,000 threshold for school districts should be raised significantly because, unlike municipalities smaller than 2500 residents who are exempt from the PWL altogether, school districts large or small (rich or poor) are not.

John Nyhuis  
Oakfield, WI  
920-948-6888 (cell)

FOND DU LAC COUNTY PWL RATES (Painter – code 124) 2007 thru 2015

<u>Year</u>	<u>Base Rate</u>	<u>Fringe</u>	<u>Final rate</u>
2015	\$25.75	\$16.60	\$42.35
2014	\$29.99	\$ 2.53	\$22.53
2013	\$18.00	\$ 6.01	\$24.01
2012	\$14.70	\$ 7.33	\$22.03
2011	\$27.82	\$ 6.81	\$34.63
2010	\$21.50	\$11.10	\$32.60
2009	\$25.79	\$13.03	\$38.82
2008	\$25.29	\$ 8.26	\$33.55
2007	\$24.79	\$11.35	\$36.64

Relatively consistent rates between 2007 and 2011 but between 2012 and 2015, rates dropped and became very erratic.

## Prevailing Wage Law Shortcomings

1. 500-hours minimum per year on commercial projects only limits the survey hours reported to large contractors (this equals three skilled tradesmen for a month).
2. Only very large plumbing, electrical, HVAC, mason and general contractors have those kinds of skill hours available in a single year.
3. Wisconsin PWL wage rates represent wages paid by large union contractors and non-union contractors that must compete with union wages, not smaller local contractors.
4. Projects where hours are reported must be commercial and not residential. Smaller businesses licensed to provide the skills necessary to do the job get a small representation because their jobs are split between commercial and residential (examples: plumbers, electricians, masons, concrete workers, sheet metal workers and carpenters) and seldom, if ever, meet the 500 hours per year minimum.
5. Where certain skills covered by PWL do not get survey replies from a given county, the DWD "tiers" out to adjoining counties to try to find a skill wage rate. In desperation they will apply a rate from an adjoining county (still a small sample due to non-response to the survey). This county may have wage rates very different from the adjoining county.
6. Because of the hit and miss way skill wage rates are determined, the wage rate for a given skill from one year to another can be all over the map. The smaller the return of survey rates (only 10% of 25,000 sent out) the more volatile the results. DWD does not check history on wage rates from prior years (I did on three troublesome rates for FDL county and found disturbing results).
7. Small contractors specializing in the skills mentioned above avoid bidding on PWL projects for four primary reasons. 1) they don't want to expose their employees to wage significantly higher than they pay when they don't know where the numbers came from. 2) employees are tempted to extend the job to collect the higher wages thereby destroying the profit margin for the employer. 3) employers have to choose which employees get to work on the high paying PWL project and who will work on the regular pay residential job 4) employers are required to report hours spent and wages paid on a PWL project which requires keeping hours separated by job and increases the paperwork load on the business person in the "office".
8. My small survey of the people that bid a recent project in our district indicated that PWL base wage alone for the skill that they provide is \$5 to \$10/hour more than they currently pay their employees. These are businesses that have the general public as customers in addition to commercial businesses. Adding a \$15/fringe payment in the form of a wage payment where a fringe is not currently paid runs the rate even higher.
9. The PWL discourages small contractor participation in school district and small municipality (under 2500 residents) projects where many of the contractors are tax payers in those localities.
10. The Average Gross Income for families in small (1000 students or less) rural and semi-rural school districts and municipalities is typically less than \$50,000 per year with both parents working. Those are \$10 to \$20/ hour wages and are typical wages for that area. Why pay wages two and three times that much for a local project when the same skills can be provided locally for a much lower wage rate?

Testimony

**State of Wisconsin Assembly Committee on Labor**

Kraig Sadownikow

Mayor, City of West Bend

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May 26, 2015

Wisconsin Assembly Committee on Labor  
Public Hearing  
May 26, 2015

Chairman Jacque and Committee on Labor:

Thank you for the opportunity to offer public input on this important topic aimed at continuing the fiscally-responsible agenda of recent years.

My name is Kraig Sadownikow. I have been Mayor of the city of West Bend the past four years where we have effectively utilized new state policies to balance our budgets and reduce cost while maintain the high level of services our constituents demand. In fact, the real cost of operating our city of over 30,000 citizens is 6.4 percent less today than it was in 2011. Thank you for offering us the tools to accomplish these successes.

Abolishing the state-mandated prevailing wage law is yet another way to give power back to the local level, allowing municipalities, such as West Bend, greater ability to increase services without increasing taxes.

You will continue to hear valid testimony regarding the millions of dollars in savings that can be realized statewide through the elimination of prevailing wage requirements on public works projects that utilize public funds.

I would like to focus on a lesser known but equally egregious component of the law that requires prevailing wages to be paid on private projects, using private monies, that ultimately will be donated to a municipality or taxing entity.

In West Bend we are very proud of our parks and work hard to afford high quality maintenance of the entire system. The jewel of our city, Regner Park, is named for one of my mayoral predecessors. As budgets got tighter, maintenance began to slip. In 2010 a local group of park supporters (the Regner Rejuvenation Committee) took it upon themselves to make a difference. Over the next three years they privately raised approximately \$600,000 to totally fund a new stage and pavilion along with renovating concession stands and a band shelter.

This group literally went door-to-door asking for donations from individuals, service clubs and local corporations. The projects were built by local tradesmen, many of whom grew up enjoying Regner Park themselves.

The Park & Recreation Committee along with West Bend's city council approved the projects and agreed to take ownership of the completed work once constructed. Building permits and review fees were paid just like any other private project. To our disappointment, however, prevailing wages were required to be paid.

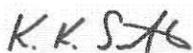
Fortunately, the projects were built and have been a great success. The dumbfounding part is while 100 percent of the funds were privately raised they only purchased 75 percent of the goods and services they should have. More privately funded improvements could have been considered and should have been accomplished.

Examples such as this are found all over the state of Wisconsin and range from high school football fields to performing arts centers and from park shelters to hiking trails.

As has been done the past few years, I ask you to focus your attention on protecting the taxpayers and generous donors of Wisconsin. Allow the laws of supply and demand to dictate the cost of construction, not the laws of prevailing wage.

Thank you again for your time.

Sincerely,



Kraig K. Sadownikow  
Mayor  
City of West Bend, WI



May 27, 2015

Assemblyman Andre Jacque  
Assembly Committee on Labor  
P.O. Box 7882  
Madison, WI 53707-7882

RE: Assembly Bill 32/Senate Bill 49  
Repeal of Prevailing Wage Requirements

Dear Chairman Jacque, Vice Chair Spiros, and Representatives Knodl, Kapenga, Kulp, Kuglitsch, Sinicki, Mason and Ohnstad;

I am writing to express my personal views regarding Assembly Bill 32 as an administrative professional having been charged with running county government operations in Ozaukee County since January 2000. Currently I am President of Wisconsin County Executives and Administrators' Association (WCEA) but my testimony is mine alone. These comments are not of a partisan perspective, but rather of an operational concern to correct inefficiencies and remove non-value added obstacles or constraints.

Since accepting the Administrator position in January 2000, our organization has undergone a dramatic transformation. With strong Board leadership we have flattened the organization chart, eliminating layers of management, consolidating committees and departments, empowering our employees, rewarding high performers, remaining laser focused on delivering cost effective public service. In short, Ozaukee County has dutifully "looked in the mirror," changing our structure, policies, reviewing and examining everything to enhance performance under the continuous improvement mantra. As a result of our action, Moody's upgraded Ozaukee County's bond rating from AA to AAA, we have built a capital and operating reserve, maintained our capital infrastructure, shared services with our local government partners, reduced full time equivalent positions, and taxed at or near the lowest rate in the State.

In my view Wisconsin could use a hard "look in the mirror," examining its myriad of mandated policies that do not add value but rather force local governments to spend more than necessary. Prevailing wage requirements are one such item. Recently our Highway Department did a paving project for Ozaukee High School. Since the project was in excess of \$100,000 the school had to pay the County more due to prevailing wage. Our employees got an additional 3% in a \$120,000

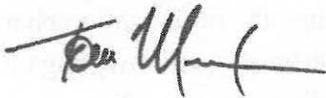
project. Town governments can use a non-union contractor for up to \$234,000 of work, but if they would like to utilize the county the threshold is \$100,000. What that arbitrary threshold contributed to organizational efficiency and sharing services is inexplicable.

This example is just the tip of the iceberg, especially so since we are one of seventy two counties in Wisconsin. Based on quick analysis prevailing wage requirements have cost an additional 2-3% of some of our projects without adding any importance. Taxpayers expect that government act more like a business. To address that challenge, removing artificial government constraints from delivering real value to the local taxpayers is extremely important.

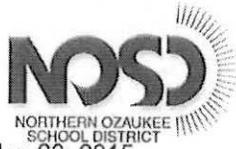
I urge this Committee and ultimately our Legislature remove this prevailing wage requirement on local government. While you are at it, I recommend that you examine the current public bid threshold requirement of \$25,000 and get a perspective of how this adds costs such as architectural fees and preparation of detailed specifications for simple building projects such as a pole barn structure on our Fairgrounds or Highway Shop. From a more macro perspective, consider the 2012 U.S. Census data that indicates that Wisconsin is 20<sup>th</sup> highest in U.S.A. population with the 10<sup>th</sup> highest number of local governments. Can our children and grandchildren continue to afford the way we currently provide for their business?

Many County government leaders desire to work with the Legislature to allow us to "act more like a business." Our mutual constituents expect continuous improvement.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Tom Meaux". The signature is fluid and cursive, with a long horizontal stroke at the end.

Thomas W. Meaux  
County Administrator Ozaukee County



May 26, 2015



TO: Senator Duey Stroebel  
RE: Written Testimony on Prevailing Wage Project Increases

Dear Senator Stroebel,

In April and May of 2014, the Northern Ozaukee School District solicited bids for a set of paving projects intended to increase safety and durability to some of our parking areas. We retained three bids for these projects from reputable and well referenced companies. In the end, we ended up going with the lowest of the total paving project bids from the Ozaukee County Highway Department. The bids that we received were, in total, \$3,415 less than the next closest bidder. As such, the Board authorized spending in the total amount of \$115,450 for three different projects:

1. Overlay the main drive from the street to the main lot (\$21,650)
2. Overlay the north parking lot adjacent to Ozaukee Elementary and Middle Schools (\$77,800)
3. Create a new parking area to the east of the north parking lot to alleviate parking deficiencies (\$16,000)

It was our belief that since there were three separate projects, each under a \$100,000 threshold, that we would not be required to ask for any type of prevailing wage determination. We were mistaken, however, and ended up incurring additional expense on top of the already accepted amount for dispersal.

On July 31, 2014, I was contacted by a gentleman who works as a prevailing wage investigator from a company based out of Madison. In his request, he asked for a number of pieces of information, which were provided to him as an open record. After his consideration of this information, he contacted both me and the Department of Workforce Development (DWD) citing a requirement for a prevailing wage determination. I immediately worked with the DWD to obtain this determination and we were granted this determination on August 8, 2014. I then shared this with our contractor, the Ozaukee County Highway Department, and they worked to adjust their wages accordingly.

Due to prevailing wage being mandated in this situation, we ended up having to pay an additional \$4,110 in labor costs for the project, thereby ending with a total cost of \$119,560. The increase to this expenditure, while seemingly a fairly small number, created a need to cut \$4,110 from our maintenance budget and delete a couple of our lower priced, yet still important, maintenance projects that were to be completed late in our summer maintenance program. In all, we believed that we had all of our paperwork in order and had followed the legal specifications, however we learned that the process was more intricate and that because of prevailing wage, we would need to modify our budget accordingly.

In conclusion, I am a firm believer that people should be compensated appropriately. Creating additional expenses, especially for a school district, utilizing services from its own county, does not seem to make good fiduciary sense. We continually look for ways to squeeze more from our budgets and take less from our taxpayers, yet we end up with higher costs due to prevailing wage. On the grand scale, this project was fairly small. From a small, financially strapped, school district standpoint, this was a tremendous amount of extra money to spend on a project. I would ask at the very least that there be consideration given for simplifying the requirements and possibly easing or deleting this requirement for entities such as schools and local governments. We already have limited dollars from which to function and we would rather not have to move toward a referendum to gain additional funds. Thank you for your consideration of this written testimony.

A handwritten signature in black ink, appearing to read "Blake A. Peuse".

Blake A. Peuse, Superintendent of Schools, Northern Ozaukee School District

# ALABAMA CRAFT TRAINING BILL

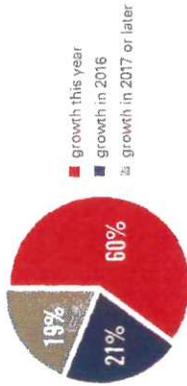
# AGC

## A PUBLIC-PRIVATE PARTNERSHIP TO ADDRESS THE STATE'S SKILLED WORKER SHORTAGE

### A BUSINESS-FRIENDLY, MARKET-DRIVEN SOLUTION TO THE WORKFORCE PROBLEM

We must act now to provide a funding mechanism for ongoing craft training to build the skilled workforce needed to grow Alabama's economy.

Industry growth expectations:



## SB 170 HB 227

48% of Alabama contractors expect to add 1-5 employees in 2015

41% of those contractors said they were already experiencing difficulty filling professional and craft worker positions

"With the strong outlook for growth in both employment and projects, hiring talented people is by far the highest challenge for companies in 2015."

- Falls Management Institute, 2015 Non-residential Construction Index Report

The key to workforce development is creating **skilled workers.**

These are the skilled people that do complicated work required to build highways and office buildings.

"This bill is one of the most important pieces of legislation in recent memory and is truly an investment in the future of Alabama."

- Gary Savage, President of BL Harbert International US Group

## A SOLUTION BY AND FOR BUSINESS THAT DOES NOT GROW GOVERNMENT

The program will be administered by an existing agency that will oversee the money and provide grants for training providers throughout the state.

## RECOMMENDED TO GOV. BENTLEY BY BUSINESS LEADERS STATEWIDE

The Alabama Workforce Council recommended the bill to Governor Bentley for his workforce plan as a good example of how a private/public partnership should work.

## A BILL THAT PAYS FOR ITSELF

The business solution will be completely funded by industry



**3M-5M ANNUALLY**

to create a long-term, stable funding source for flexible skills training

paid for by increasing the fee on building permits

**\$1 PER \$1,000**

of the project value

"Employers still struggle to fill skilled jobs that are critically important to the economy of the state. We are not attracting enough skilled workers to meet our needs. SB170 and HB227 would go a long way in addressing the need. Public/private partnerships give us a plan, and I look forward to helping move it forward."

- Dr. Mark Heinrich, Community College System Chancellor



**More than 4 out of 5**

contractors said that preparing the next generation of skilled workers was a legislative issue important to their business.



Ninety-five percent of the money used for union-operated worker training centers comes from employers.

— Kurt Bauer on Tuesday, February 10th, 2015 in a panel discussion

## Business leader says 95 percent of union-worker training money comes from employers

By James B. Nelson on Friday, February 27th, 2015 at 5:00 a.m.

Listening to supporters and opponents of right to work laws talk about worker training -- and who pays for it -- can be a mind-bending experience. They talk right past each other.

That was the case at a Feb. 10, 2015, discussion about right to work sponsored by the Rotary Club of Milwaukee and the Milwaukee Press Club. The panel featured Kurt Bauer, leader of Wisconsin Manufacturers & Commerce, the state's largest business lobby, and Steve Lyons, a spokesman for the Wisconsin Contractor Coalition.

Bauer and his group back right to work. Lyons and his group, which includes about 400 firms in construction contracting, are opposed.

Lyons noted that many skilled trades such as carpenters, plumbers and operating engineers provide training to their members at union-run centers across the state -- and argued such training would be hurt if the state passes a right-to-work law.

Union members "gave \$30 million to these facilities," last year, Lyons said.

"From the training perspective, it's great that some of these unions do train -- not all of them do -- the trades do," Bauer countered. "But it's paid for by employers. That won't change -- 95 percent comes from employers."

Bauer then added: "That's one for PolitiFact."

Lyons replied: "Absolutely. Bring it on."

We are here to serve.

Is Bauer right that 95 percent of the money used for union-operated worker training centers comes from employers?

### **More about the programs**

This is all tied into the right to work debate because worker training, particularly in the trades areas, is expensive. It's also important to ensure that quality and safety standards are met and maintained. These are the folks building houses and highways, for instance.

And much of the training is done at union-operated worker training centers around the state.

Since trades workers are typically the ones affected by this provision, understanding how those unions work is key to this issue.

Picture a construction project that requires iron workers. Contractors on the project may tap a union to provide iron workers for the job, but those workers are not permanent employees of the contractor. They may work on a building project one day, and switch to a bridge project the next. Thus, training programs have grown up around the unions.

A right to work law would mean workers no longer would be required to pay dues to a union. The concern, as cited by Lyons, is that over time this could mean fewer union members and therefore less money available for training. He takes it a step further and notes the training would then have to be done by the state's taxpayer-supported technical colleges.

Bauer's claim is that this is largely irrelevant, since nearly all the money for training comes not from unions, but employers.

The reality is more complicated.

Unions decide each year how to allocate the training money deducted from their paychecks.

Think of it in terms of a payroll deduction for, say, a flexible spending account, parking or some other item. It may be handled administratively by the employer, but the money is the employee's to spend.

"The money is held by the companies and then given to the various union training funds," said Tim Peterson, vice president of James Peterson Sons Inc., a fourth-generation highway construction contractor based in Medford. "However, active members of the trade unions allocate money out of their negotiated pay to fund the training trust funds."

A member of the Contractor Coalition, Peterson agreed that the money starts with the employers, usually as a set amount per hour of pay. But the workers decide how the money is used, he said, adding:

"If employees elect to reduce or stop directing money to the training funds, those dollars will go to increase the employees' wages and will not be redirected to the employers."

End of story? Not quite.

Scott Manley, vice president of governmental relations for WMC, said the best evidence the training money comes from employers is the tax returns filed by the nonprofit entities that the unions use to manage the training money.

"According to tax forms filed by unions with the IRS, businesses pay about 95% of the operating cost for union training programs," Manley said in an email. "Although the amount paid may be negotiated with the unions who do the training ... it is businesses that actually make the payment."

Manley added: "Employers pay to have workers trained because it is in their best interest to have skilled employees." Right to work laws, he added, "will not change employers' need for skilled labor or their willingness to pay for it."

Howard H. Simon, an accountant with the Chicago-based Calibre CPA Group, the company that prepared the tax returns for the job training fund, took a different view of the tax documents.

He provided a list of about three dozen state-based training funds, and the sources of the money. One example: The Appleton-Oshkosh Electrical Workers Joint Apprenticeship Training Committee.

The list "demonstrates that employees of the various trade organizations listed contributed over \$31 million to their training funds (in a one-year period)," Simon said in a memo to Lyons.

"It's a private contract...between the private sector business and the private sector union," Lyons said. "And it's a voluntary contract. And in those contracts ... the individual employees determine how much they're going to give."

### **Our rating**

Bauer says that employers pay 95 percent of the cost of union workers to receive training.

That may be true in a technical sense, and on an IRS form, but it's not that simple. The money in question belongs to the workers -- it's part of their compensation. And they decide how to allocate it each year.

The statement contains some element of truth but leaves out important information that would lead to a different impression. In our book, that's Mostly False.



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## Prevailing Wage – Something to Think About

### HARDEST JOBS TO FILL

For the sixth consecutive year, business leaders said the positions they struggle most to fill are those in the **SKILLED TRADES**, according to ManpowerGroup's [2015 Talent Shortage Survey](#).

Filling these positions is their Number 1 concern.

### WISCONSIN'S CONSTRUCTION FUTURE

96% of all training investment in Wisconsin's current and future construction industry workers is funded jointly by management and labor.



## **PRIVATE-SECTOR INVESTMENT**

**The \$82 million annual management/labor investment in skilled trades apprenticeships represents the largest private-sector investment in skills training of any Wisconsin industry.**

## **THE RISK**

**Eliminating the Prevailing Wage will make the challenge of training these workers and filling positions in the skilled trades even greater. The risk lies in losing Wisconsin's strong competitive edge in the construction industry.**

***Prevailing Wage is a critical component in the growth of high-skill private-sector professional construction jobs and in developing high-quality, cost-effective construction projects in communities across Wisconsin. High-quality construction reduces the life cycle cost basis for all projects and brings additional value to the taxpayer.***

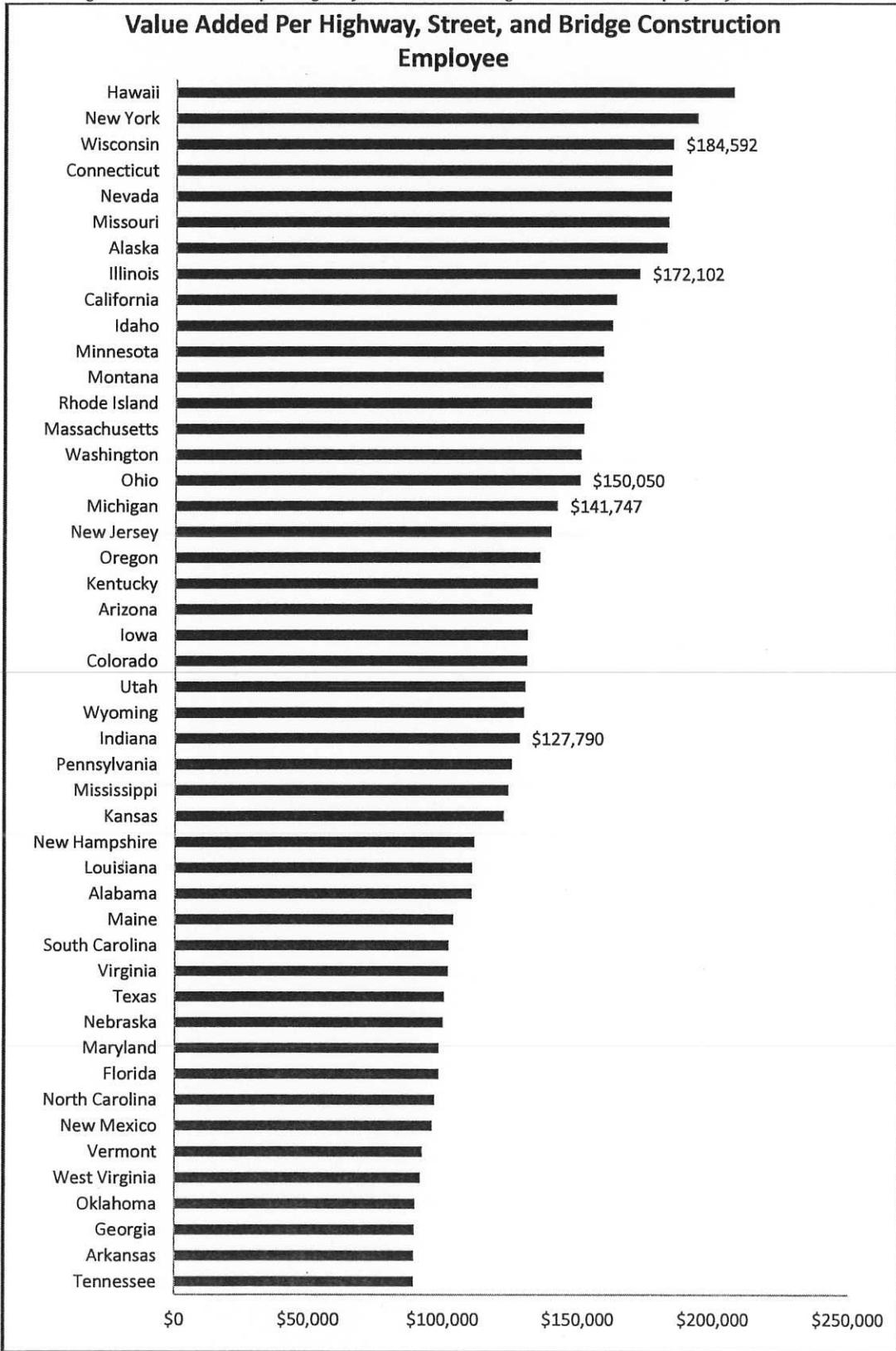
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ROAD AND BRIDGE CONSTRUCTION WORKERS IN THE MIDWEST

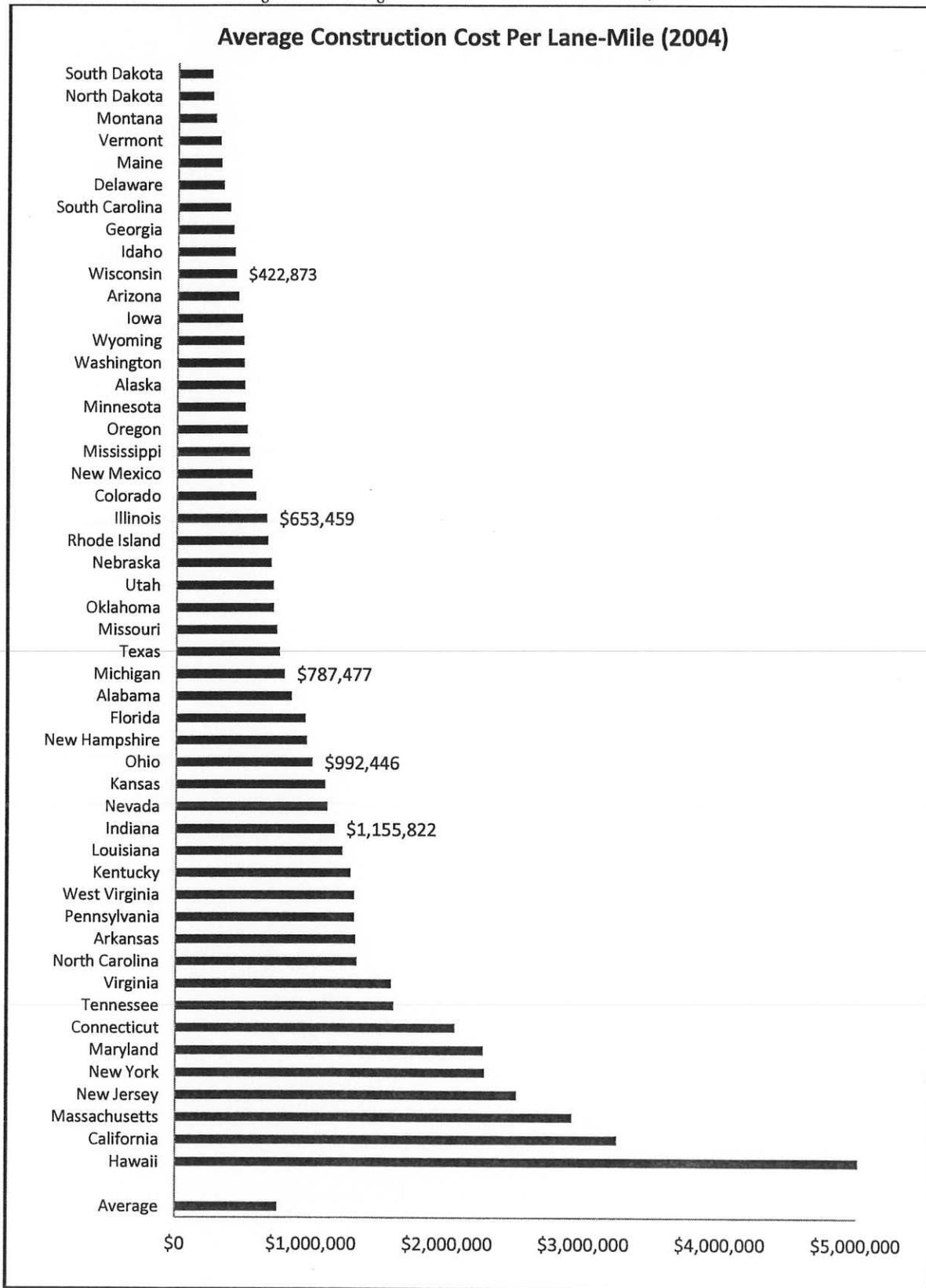
Figure 8: Value Added per Highway, Street, and Bridge Construction Employee by State, 2007



Source(s): 2007 Economic Census, Value of Construction Work, U.S. Department of Commerce, available at [factfinder2.census.gov](http://factfinder2.census.gov).

ROAD AND BRIDGE CONSTRUCTION WORKERS IN THE MIDWEST

Figure 11: Average Construction Cost Per Lane-Mile, 2004



Source(s): Poupore (2004), "The Impact of Wages on Highway Construction Costs: Updated Analysis," The Construction Labor Research Council.



# TRIERWEILER

## CONSTRUCTION & SUPPLY CO., INC.

*Heavy & Highway Contracting*

*2916 South Cherry Avenue*

*Marshfield, WI 54449*

*Phone 715-387-8451*

*Fax 715-384-5599*

May 27, 2015

Assembly Committee on Labor  
Wisconsin State Capitol  
Room 411 South  
Madison, WI 53703

RE: AB 32, Repeal of Prevailing Wage

Dear Committee Members:

I express my sincere regrets that I was unable to attend today's Assembly Committee on Labor hearing regarding Assembly Bill 32, the repeal of Wisconsin's prevailing wage law. However, this is the start of my industry's busy season, and I simply could not inconvenience by clients on a single day's notice. Despite my inability to testify in person today, I respectfully request that you consider this letter in deciding whether to vote in favor of repeal.

Your action today impact businesses, workers and voters in your districts. Prevailing wage is not an antiquated, outdated law. It is a law that sets wages annually based on *current, private construction projects*. It is a law that has been updated and modernized many times over the last 20 years. It is a law that *protects Wisconsin businesses* like mine and the non-skilled and semi-skilled workers like my employees. It is a law that protects Wisconsin's taxpayers by ensuring that "low bid" requirements do not result in shoddy construction by fly-by-night out of state contractors. It is a law that apprenticeship programs and continuing education for skilled workers will continue at a time when businesses like mine struggle to find qualified workers.

I can appreciate that the budget crisis has resulted in the Legislature searching for a "silver bullet" solution. Yet, even the nonpartisan Legislative Fiscal Bureau has concluded that you cannot include savings into the 2015-2017 budget from prevailing wage repeal. If you will not realize budget savings and businesses like mine are telling you the prevailing wage law is critical to the continued success of the construction industry in Wisconsin, it is incumbent upon you to vote down AB 32.

Sincerely,



Trierweiler Construction & Supply Co., Inc.  
Steve Trierweiler  
President

An Equal Opportunity Employer



Attorney Ryan Pheifer

Email: [ryan.pheifer@pheifer.com](mailto:ryan.pheifer@pheifer.com)

Cellular: 920.378.1715

Facsimile: 920.729.4314

Wednesday, May 27, 2015

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Dear Representatives and Friends;

We had the pleasure of working together over the last year and a half or so and I just wanted to give you my professional opinion on the prevailing wage and heavy highway construction here in Wisconsin. I have been actively involved as a bridge contractor in the State for nearly twenty years and our family has since 1950. We are proud to help nearly 40 individuals support their families through hard work and personal responsibility. For 63 of the past 65 years our family business has been non-union. In fact, two past presidents of ABC of Wisconsin were Pheifer employees prior to retirement. ABC is missing the boat on this issue.

While there are many flaws with the prevailing wage program that are long overdue for reform, full repeal is not in the best interest of Wisconsin taxpayers. As an expanding bridge contractor we have been looking for quality skilled workers each of the last five years. Experienced construction staff and especially crane operators are insufficient to fill the positions at current rates. If the intent is to save costs by reducing pay, will we drive more people into or out of these already thin trades? As a business owner, how do I keep the moral up for our workers when the representatives I strongly recommended they support now advocate that they are not worth their paychecks? How do I cut wages when there is no one to replace workers who move on? I'm not exaggerating, we have little if any leverage at this point.

This is not the same as Act 10. There are many teachers who cannot find a job and when one teacher leaves many qualified applicants follow. If a crane operator or carpenter walks away we don't have anyone qualified to fill the gap. Productivity and safety suffers when inexperience replaces experience. I am one of the few in the State that has managed their company under both a merit shop and union system in the last five years. This is not a Union v. Non-union issue. Under both, the prevailing wage allows for high quality training through employee elected deductions. A portion of the prevailing wage for both the union and non-union worker is deposited into their respective training fund to help promote and maintain their skills. ABC's training is funded through a bona fide fringe deduction just as the union equivalent is. Both are a direct result of the prevailing wage valuing safety and training.

If wages are reduced it is logical that the elective training funds will be the first to go. As an industry we have witnessed several major injuries and deaths over the last couple of years. I never want to have to make the call to a spouse, son, or daughter that their loved one has been seriously injured or God forbid killed on one of our jobsites. We cannot afford to cut training or drive anyone away from this industry. Quality contractors will include these costs in their bid and unscrupulous contractors will try and cut corners only to see reduced productivity, increased accidents, and longer construction closures. In either case the purported cost savings never materialize.



599 Bondow Dr. - Neenah, WI 54956

*"An Equal Opportunity Employer"*



Cost savings on transportation projects are possible and I stand ready and willing to help in any way that you need. A few ideas:

1. Exempt trucking from the prevailing wage,
2. Open up the construction season to allow work earlier and later into the season,
3. Bid most projects in Oct-March,
4. Reduce time-consuming meetings and the paperwork nightmare,
5. Rebuild the partnership between WisDOT and contractors,
6. Build projects with road closures rather than at night and under traffic, and
7. Actively promote the industry to young people.

Savings on labor can only occur when we have more labor than demand requires.

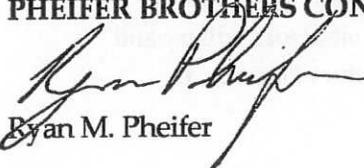
I'm as tried and true a Republican as they come and it is hard to see our industry and other good republicans vilified because of this issue. We must trust those in the field, not tear them down when they express concerns.

The law of supply and demand works. I can tell you from experience we do not have the supply of labor needed to decrease costs at this time. It is possible, over time, if we increase the supply of those in the labor force. Promote heavy highway construction and raise awareness to the quality earning potential high school graduates can make without going into student loan debt. Partner with every association and labor organization you can to encourage young people to value hard work and responsibility. Teaming with construction workers and even a trade union or two may feel awkward because it is not a place Republicans normally go, but trust me when I tell you these people are your key to success. They work hard and live on a budget because their season is so short. They personify the conservative ideal and will fight for you if they believe you respect them and their work. Once the labor supply increases our industry can reduce wages without a significant loss in production. If we reduce wages now it would have a severe impact on our projects, on our ability to attract both experienced and new individuals into the trade, and on our ability to persuade our workers to trust Republicans going forward.

We can and must cut costs so we can afford an infrastructure that attracts new business to Wisconsin. I am willing to help, just ask. This letter could vilify me with my fellow Republicans who don't fully understand the industry, but I hope it serves to provide insight from a friend in the field. Ultimately, my job is to adjust as necessary to ensure success. I write this letter simply to advise caution. With a proper strategy and timing we can reduce labor costs. Right now we don't have the workforce to pull off that policy. By forming a partnership and expanding the construction season we can actually reduce transportation costs today while promoting hard work and responsibility to young people. Then, when supply outnumbers demand, wages can be reduced. Any time before that and there will be significant adverse effects.

I have faith you will take the reasoned and measured approach to this issue. Please feel free to contact me any time.

Sincerely,  
PHEIFER BROTHERS CONSTRUCTION COMPANY, INC.

  
Ryan M. Pheifer



STATE REPRESENTATIVE

# DON PRIDEMORE

In SUPPORT of AB32. Let me first start out by thanking the Chair of this committee, Rep Jacque, for having the cannoli's to hold this hearing. It's not easy to do this especially when you have a French sounding last name, but when you have principles on your side, it makes it easier to stand up to the pressure, even when it comes from within your own party. Next I'd like to thank my representative from the 22<sup>nd</sup> Assembly district, Janel Brandtjen, for signing on to the bill. I didn't even have to call or write to her because I knew she and her staff would do the right thing.

Prevailing wage was part of former Governor Doyle's last 2 budgets when he raised taxes on Wisconsin voters by more than \$5B. It was passed the easy way in the budget when legislators could always have the excuse of being against the issue but had to vote for the budget because there was so many other good things in it. The Democrats were in control of all 3 legislative bodies at the time. Well, how did that work out for you?

Now we find this issue in a separate bill, one that faces more scrutiny, more media attention and more pressure from all sides. It could have gone the easy way by putting it in the Budget and we wouldn't even be here today. And we wouldn't have heard much about it next month when the budget passes. This way legislators are put on record for where they stand. They can't hide behind the budget. This bill if it passes out of committee later on tonight will be a statement on where the majority party stands on principle. Or if it fails, will bear witness to at what lengths will leadership and the majority party go to sacrifice principle for a few pieces of silver. Are you familiar with that story?

Raising taxes on anyone or any group only increases the size of government. And in this case only allows a few wealthy republicans and a few democrats as well, just to be bipartisan, to become more competitive with lesser known and smaller businesses. Not by reducing the size of their larger more bureaucratic companies. No, but by artificially raising costs to the smaller companies so they can't do as great a job for the entities that put out the bids.

What does that mean to the local governments? Higher construction costs! Fewer projects to complete! Less services to local taxpayers! More costly and less efficient government! More intrusive state government (something we always complain about when the Federal government does the same thing to Wisconsin).

I have one thing to say about the Tim Michaels of this world. And I consider Tim to be a friend of mine, at least up until now. Even as a former constituent, Tim showed compassion and commitment when he volunteered to umpire a baseball game his son was playing in when I told him the regular umpire hadn't shown up. Without hesitation he agreed and the game went on as scheduled. Step back Tim. Don't sacrifice long term gains for short term profits. Maintain your principles. You will sleep better tonight and many nights to come. Pass AB32 out of committee! Thank You!

Former and Retired Citizen Legislator (and lovin it!),

Don Pridemore

## **Rep. Bob Gannon**

**608.264.8486**

### **Prevailing Wage, the Racism Continues**

May 27, 2015, Testimony by Rep. Bob Gannon

Thank you Chairman Jacque and members of the committee for the opportunity to testify. I'm Bob Gannon, State Representative from the 58<sup>th</sup> District.

My remarks will focus on racist background of prevailing wage laws, and how that racism continues today.

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 testimony to Congress at the time was 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 Wisconsin.

This law has caused an improper impediment to minorities and women to enter the construction trades as business owners or as construction laborers. It has been shown that states without a prevailing wage law have a higher participation rate in the construction trades from minorities than states that have this law.

The significance of the damage caused by this legislation can be seen in WI State Statute, where the Dept. of Administration is allowed to spend an extra five percent on construction projects in order to hire minority and disadvantaged contractors. These are contractors disadvantaged by the blockade of the marketplace by the prevailing wage law. These contractors are then paid an extra five percent over the lowest competitive bid, at an extra expense to the taxpayers of this state, to make up for the damages caused by this archaic law.

Hiring preferences for minority and women owned contractor businesses has now gone even further. The Milwaukee County Board has made it clear that any project that they assist on, public or private, or any project being built on County owned land, must give at least thirty percent of their construction funds to minority and women owned construction companies, regardless of the extra expenses incurred.

Now some whom are aligned with continuing this law are sending out robotic calls and paying for television advertisements trying to make the case that Hispanic workers will be taking some of these construction jobs in the event prevailing wage is repealed. Here we are eighty four years after this Jim Crow law was instituted in an attempt to stop blacks from getting hired, now the law is being used to block Hispanics from the trades. Is there no shame in those who would try and persuade the populace that this state will be overrun by an unsavory class of people? This is the same despicable and racist behavior shown in 1931, when this law was enacted.

When does this racism come to an end? This racism comes to an end when my government quits picking winners and losers by instituting artificial barriers to participation of any person, regardless of sex, race, ethnicity, religion, etc.

We can only have a truly color blind society when all artificial barriers to entry are removed, especially a barrier with such racist roots as this statute emanates from.

The time is now to repeal the prevailing wage statute.

Thank you

Stephanie Bloomingdale  
Wisconsin State AFL-CIO  
In Opposition to AB 32  
May 27, 2015

Good morning Mr. Chairman and members of the Committee. My name is Stephanie Bloomingdale and I am the Secretary-Treasurer of the Wisconsin State AFL-CIO. I appear before you today on behalf of the hard-working men and women of the Wisconsin State AFL-CIO to oppose AB 32, a bill that is wrong for Wisconsin's workers, our families, and the public who rely on a system of reliable infrastructure.

**I. Introduction to Prevailing Wage**

Prevailing wage laws, as you all well know and which have been on the books in Wisconsin and 31 other states, require contractors who bid on a publicly-funded project to pay their workers a fair wage that is in-line with private sector projects in the same community. Not necessarily a higher wage, but a wage that is in-line with private sector projects. Together, Wisconsin's three prevailing wage statutes ensure that our public construction projects are built by well-trained men and women from our own communities. Because *with* prevailing wage, Wisconsin contractors compete fairly and win bids based on merit, not by undercutting labor costs and safety standards. Wisconsin's prevailing wage statutes guarantee that our infrastructure is top-quality, safe, and reliable so that our families and our communities are strong, healthy, and prosperous for years to come.

**II. Legislative Fiscal Bureau & Fiscal Notes**

As has been discussed here before you today, it is simply not true that government construction costs will go down if prevailing wage laws are repealed. While it is certainly true that workers' pay will decrease, that fact does not then mean that our State and local governments' construction contract costs will go down. The back-of-the-envelope math that fantasizes large amounts of savings fails to take into account the great value associated with prevailing wages and fails to calculate the true impact of prevailing wages on our communities.

First, and you've had a lot of discussion about this, the Legislative Fiscal Bureau's March memo finds that "the evidence on prevailing wage effects generally range from relatively small effects to no statistically significant effect" on government construction contracts. Furthermore, the many fiscal notes that have been generated as a result of this bill do not indicate any cost savings to the Wisconsin taxpayers whatsoever. Indeed, they all state that any savings *or costs* are "indeterminate."

Of all of those fiscal notes that have been submitted to this Committee, I'd like to talk specifically about the fiscal note from the UW System. It observes the importance of high-quality workmanship in the construction of its facilities and shows that Prevailing Wage saves taxpayers money down the line. It states:

University buildings may also house expensive research equipment or sensitive electronic infrastructure that can be catastrophically damaged if the building fails ... Loss of service, loss of employee productivity, the cost of repairs, and equipment replacement are costly.

Some may romanticize about large amounts of upfront savings, but the truth is prevailing wage laws save taxpayers money in total because Wisconsin's solid construction industry with prevailing wages means that skilled, talented, and productive workers build high-quality, lasting infrastructure safely and on-time. Let's not be penny-wise and pound-foolish.

### **III. Prevailing Wage Works for Wisconsin**

- a. By delivering high-quality construction in the safest and most efficient manner possible, Prevailing Wages deliver value for taxpayers. States with prevailing wage laws have more productive workers - according to the latest research, Wisconsin's public construction workers' productivity advantage is higher than the 18 states that do not have prevailing wage laws. This higher productivity translates into projects finishing on time, with less cost overrun, and buildings & bridges that last.
- b. Prevailing Wages ensure that our neighbors are put to work. Prevailing wages mean that Wisconsin's contractors who bid on taxpayers' jobs hire the best construction workers from our communities and across our state. States that don't have prevailing wage laws often turn to low-bidding out-of-state contractors. It is only right that Wisconsin tax dollars go to Wisconsin workers and Wisconsin contractors.
- c. Prevailing wages protect the safety of the end-user by ensuring that public investment in development is done with high-quality workmanship. We, the taxpayers, invest in and rely upon high-quality workmanship every single day to deliver top-quality and long-lasting projects that are safe for the end-user. That means safe schools for our kids and bridges that will withstand the test of time. High-quality, safe buildings, bridges, and infrastructure matter today and tomorrow.

- d. Wisconsin's Prevailing Wages also propel our system of robust training and apprenticeship program. At present, 95% of training new construction workers is paid for by joint labor-management programs. This vital apprenticeship program has ensured that the next generation is prepared to take over when the eldest generation retires. Prevailing Wages provide the underpinning for high quality, intensive training programs that turnout skilled, professional workers year after year, generation after generation. Now is not the time - we believe - to meddle with an apprenticeship program that supplies a critical pipeline of skilled workers.
- e. Prevailing wages also help keep workers safe on the job by preventing needless injuries. Increased injuries and deaths due to lack of training are a cost that Wisconsin should not accept.
- f. Prevailing wage laws ensure that the competitive bidding process is not used to undermine community wage levels and living standards. By setting prevailing wage rates, contractors compete fairly and win bids based on merit.
- g. Proud, skilled labor equals strong investment in our families. Prevailing wages strengthen the pillars of strong families and strong communities. Prevailing wage laws ensure stable wages for workers and their families. And good wages mean workers can spend more at local businesses and boost the local economy. Everybody wins when workers are paid a prevailing wage.

#### **IV. Conclusion**

Instead of trying to undercut the many talented and skilled construction workers in our state, we should be focused on building a robust middle class, sturdy infrastructure, and strong families and communities. We should choose a high-wage, high-road economic strategy that builds a strong middle class for Wisconsin.

Prevailing wages are the key link between safe infrastructure systems and strong communities. Let's make sure that our decisions are in the best interest of businesses, our communities, and Wisconsin's workers and their families.

Thank you for listening to the many hard working men and women who have come here today to speak out against this repeal of prevailing wage. I urge you to support the prevailing wage and support a strong and robust middle class for Wisconsin.



# JoCasta Zamarripa

STATE REPRESENTATIVE

May 27, 2015

## Testimony on Assembly Bill 32

Thank you for your time, Mr. Chairman and committee members. I am State Representative JoCasta Zamarripa, state representative for Milwaukee's near south side, Assembly District 8.

Mr. Chairman, I'm going to keep my remarks brief because frankly, there are far too many other more important things going on in this building today that deserve everybody's full attention. Decisions are yet to be made about whether or not state government is going to be able to fund health programs for our state's senior citizens. Programs that protect their wallets, their well-being and their dignity. The UW-System, the biggest economic ideas factory this state has, is about to be handed down austerity-level cuts in a time of relative economic prosperity. And our state's sacred public lands and natural areas which thousands of people from Illinois and Minnesota enjoyed this past Memorial Day weekend, remain on the chopping block.

Yet here we are, debating repealing a law that protects the wages of Wisconsin workers from companies that win contracts to do business with their state government. These are top-notch companies that pay family-supporting wages to their employees, and you're putting them on the chopping block as you fumble along trying balance your ledger for the state budget.

We are once again sitting in a committee hearing, debating a bill that the people of Wisconsin don't want us to even debate. Polling shows us that, my constituents tell me that, and so do yours. Yet here we are.

Mr. Chairman, again thank you for your time. I'm impressed to see you going against the grain of your caucus leadership in calling for this hearing. I only wish you had chosen to do it for a bill that would be giving thousands of Wisconsin workers a raise instead of one that will be robbing people of a decent living.

Thank you, Mr. Chairman."

## 8TH ASSEMBLY DISTRICT



STATE REPRESENTATIVE  
**Katrina Shankland**

ASSISTANT DEMOCRATIC LEADER  
71<sup>st</sup> ASSEMBLY DISTRICT

**Testimony in Opposition to Assembly Bill 32**

**Assembly Committee on Labor**

**May 27, 2015**

Chairman Jacque and members of the committee, I appreciate this opportunity to testify in opposition to Assembly Bill 32, legislation to repeal Wisconsin's prevailing wage laws.

People from every corner of Wisconsin are tremendously concerned about their economic security, and for good reason. Pew Charitable Trusts recently released a report showing that Wisconsin has experienced the largest decline in middle-class households in the country.

Given Wisconsin's lagging job numbers, which put us at 40<sup>th</sup> in the nation in private sector job growth, our priority should not only be to grow our economy, but also to protect the good local jobs that we already have. This generation of workers has seen their well-paying jobs outsourced and their wages stagnate. The last thing we need is legislation that will lower wages and outsource jobs even more.

Repealing the prevailing wage will not jumpstart our local economy or help working families get ahead. Instead, this bill will cut wages and outsource jobs. Legislators who support this bill say that this will result in taxpayer savings. That is false. Our very own scorekeeper, the nonpartisan Legislative Fiscal Bureau, has shown that repealing the prevailing wage would have no appreciable cost savings. In fact, when less skilled workers take more time to complete projects or projects need repair sooner, costs go up.

Wisconsin's road and bridge construction workers are the most productive in the nation – completing each mile of roadwork 43% more cost-effectively than the national average. We should not have less skilled workers come into Wisconsin, take over these projects, and charge us more in labor costs due to inefficiency. However, that's exactly what this bill would accomplish.

What else does this bill accomplish if it doesn't save any money? The so-called "savings" the authors of this legislation are touting is a reduction in workers' wages. Cuts to wages don't help small businesses, who rely on people with stable wages to buy their products and services. Cuts to wages don't help families struggling to afford their medical bills or mortgage payments. And cuts to wages don't help the workers who put their own money into training, healthcare, and pension benefits. These same workers are the ones who privately train Wisconsin's workforce, spending \$30 million of their own money each year.

Wisconsin's prevailing wage laws were first introduced to tackle the significant issue of contractors underbidding local employers on public works contracts, far below the wages normally received by workers in a respective local area. Prevailing wage requires that local workers employed on public works projects receive wages normally paid to workers on similar private projects in an area. Legislators should not want to create an economic environment in which our highly-trained, highly-skilled, hard-working Wisconsinites travel to Illinois and Minnesota to work there for a better wage.

In addition, legislators should not want to create an economic environment in Wisconsin that leads to an influx of out-of-state contractors with poorly trained, cut-rate workers. Our economy benefits when our hard workers stay in the state, pay taxes here, raise their families here, and don't have to travel all over the nation for work. Repealing the prevailing wage will incentivize our skilled workers to leave the state for Minnesota and Illinois in search of higher wages. That, to me, is embarrassing. It's our responsibility to create an environment that respects and protects our workers.

The business community across Wisconsin has clearly weighed in on this issue. If 456 of our best Wisconsin employers adamantly oppose changes to prevailing wage laws, we should respect their insights and think twice about the long-term economic consequences of this proposal.

I urge the committee's opposition of Assembly Bill 32, to protect local jobs and workers and support Wisconsin-owned businesses. Thank you.

**Stephen L. Nass**  
Wisconsin State Senator

**TO:** Members of the Assembly Labor Committee

**FROM:** Senator Steve Nass  
Chairman – Senate Labor and Government Reform Committee

**DATE:** May 27, 2015

**RE:** **Materials in Favor of Prevailing Wage Repeal - Senate Hearing on SB 49**

Attached is testimony in favor of repealing Wisconsin's Prevailing Wage Laws submitted to the Senate Committee on Labor and Government Reform on May 5, 2015. I believe you will find this testimony convincing on the merits regarding the benefits of repealing this antiquated and anti-free market set of laws.

Please represent the majority of citizens in this state that will benefit from the passage of Assembly Bill 32 (SB 49).

*See bill hearing materials for 2015 SB 49.*

“In God We Trust”

11th Senate District  
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