



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: H.B. 163 of the 132nd G.A.

Status: As Introduced

Sponsor: Reps. Roegner and Riedel

Local Impact Statement Procedure Required: No

Subject: Allows subdivisions to elect to apply the Prevailing Wage Law

State Fiscal Highlights

- **State institutions of higher education.** Allowing state institutions of higher education to elect to apply the Prevailing Wage Law on public improvement projects might reduce the overall amount spent by the state on construction from the GRF and bond funds. Alternatively, the savings on a given project could be put toward expanding already planned projects or funding new projects instead.
- **Department of Commerce – Bureau of Wage and Hour Administration.** The bill may reduce the number of public improvement projects subject to the Prevailing Wage Law. If this is the case, it would reduce workload for the Bureau of Wage and Hour Administration within the Department of Commerce. The Bureau is housed within the Division of Industrial Compliance, and along with several other regulatory entities, is supported by various fees deposited into the Industrial Compliance Fund (Fund 5560).

Local Fiscal Highlights

- **Public improvements funded by political subdivisions.** If a political subdivision or special district opts not to apply prevailing wage requirements for public improvements, it could reduce its overall public improvements budget or spend the savings on other construction projects. This might also reduce or eliminate the workload for offices that are responsible for overseeing compliance with prevailing wage requirements.

Detailed Fiscal Analysis

Background

Ohio's Prevailing Wage Law requires that any public authority wishing to engage in the construction of a public improvement ensure that the workers employed on the project are paid the "prevailing rate of wages." The law is administered by the Department of Commerce and by individual prevailing wage coordinators whom a

public authority must appoint for each project. The law further imposes various record-keeping and procedural requirements upon public authorities. According to the U.S. Department of Labor, 32 states have prevailing wage laws, although each set of laws is uniquely constructed.

Overview of H.B. 163

The bill exempts a political subdivision, special district, or state institution of higher education from the requirements of the Prevailing Wage Law on public improvement projects, unless the political subdivision, special district, or state institution of higher education elects to be subject to those requirements. Additionally, the bill prohibits these subdivisions from electing to apply those requirements to specified projects that are currently exempt from the Prevailing Wage Law.

Prevailing wage oversight

Department of Commerce

The Prevailing Wage Law is administered by the Bureau of Wage and Hour Administration of the Industrial Compliance Division within the Department of Commerce (COM). Currently, the Prevailing Wage Law requires any public authority wishing to engage in construction of a public improvement ensure that the workers employed on the project are paid the prevailing wage rates. The prevailing wage is the sum of the basic hourly rate of pay, contributions by a contractor or subcontractor to a fund, plan, or program, and the costs to the contractor or subcontractor in providing various fringe benefits. As of January 2016, the prevailing wage rate applies to public improvement projects with a minimum estimated construction costs as shown in the table below. The thresholds are adjusted biennially according to the Building Cost for Skilled Labor Index published by McGraw-Hill's Engineering News-Record, but may not increase or decrease more than 3% for any year.

Prevailing Wage Thresholds	
Building Construction	
New construction	\$250,000
Reconstruction, enlargement, alteration, repair, remodeling, renovation, or painting	\$75,000
Roads, streets, alleys, sewers, ditches, and other works connected to road or bridge construction	
New construction	\$88,495
Reconstruction, enlargement, alteration, repair, remodeling, renovation, or painting	\$26,514

The Bureau consists of 13 employees, which in addition to enforcing the Prevailing Wage Law, also enforces the minimum wage and overtime, and minor labor laws. The Bureau investigates complaints and, upon making determinations, collects back wages and penalties owed to workers. In FY 2016, the Bureau completed 764 investigations. About 7.7% of the investigations were on prevailing wage rates. As a

result, the bill may minimally decrease costs if there are fewer prevailing wage investigations. Oversight costs are paid from the Industrial Compliance Fund (Fund 5560). In FY 2017, expenses for the Bureau amounted to \$1.1 million.

Local prevailing wage monitoring

Currently, for every public improvement project that meets the criteria established under the Prevailing Wage Law, the contracting authority must designate a prevailing wage coordinator. This person is responsible for monitoring compliance by each contractor or subcontractor. They also maintain records for public inspection and report firms that are delinquent in filing a certified copy of their payroll. Under the bill, expenditures by political subdivisions or special districts may decrease if these government units decide to not apply the prevailing wage on public improvement projects and eliminate required prevailing wage coordinator positions.

Public improvement projects cost

Allowing state institutions of higher education, political subdivisions, and special districts to elect to apply the Prevailing Wage Law on public improvement projects might reduce the overall amount spent on public improvement construction. Any decrease in costs for public improvements undertaken by state institutions of higher education will result in savings from the GRF and bond funds. However, it may be that any potential savings on a given project are put toward project expansion or new projects instead.

The Facilities Construction Commission (FCC) provides oversight of and construction management services for public K-12 schools, state agencies, and some state-supported institutions of higher education capital projects. According to FCC's annual report, three state institutions of higher education projects totaling \$44.4 million were completed in FY 2016 that fell under the prevailing wage thresholds. On the local level, the city of Columbus had 60 new projects totaling \$290.4 million in CY 2016 that were subject to the Prevailing Wage Law.