



B R I E F L Y

Washington's law requiring construction firms to pay their workers "prevailing" wages when working on public projects needlessly inflates the costs of those projects.

The Research Council estimates that but for the prevailing wage law, for every eight schools that school districts now build, they could build a ninth at no extra cost.

Washington taxpayers have strongly expressed their desire for frugal public spending. Our prevailing wage law overcharges taxpayers and contributes to the public's perception of state-mandated inefficiency. The Legislature should repeal the law.

Schools Would Benefit from Repeal of Prevailing Wage

Every year, Washington's school districts ask for more money to improve educational facilities than voters are willing to approve. With this demand and voters' insistence on efficiency, every dollar they do have should stretch as far as possible.

The state's prevailing wage law undermines that objective. It needlessly inflates the cost of school construction and remodeling.

The law requires contractors to pay their workers "prevailing wages" when engaged on public construction projects. Typically, these wages are the same as those that have been negotiated by construction unions with private construction firms, even though most construction workers are nonunion. On private-sector projects, many construction firms pay less than union wages.

There's no question that the prevailing wage requirement forces school districts to pay more than they otherwise would for school construction and remodeling. The question is, how much more?

Based on a survey of Spokane-area contractors, the Research Council estimates that school districts would save 12.7 percent of construction costs were the Washington law repealed.

School construction money is scarce

In a recent survey by the Washington Association of School Administrators, 177 responding school districts, serving about 65 percent of public-school students in this state, reported that 61,152 students were attending classes in portables. And 10,047 students were being "housed in other spaces not intended for use as classrooms."

These school districts also reported a total of 557 buildings that are at least 20 years old and "in need of modernization."

School construction and remodeling money in Washington is scarce. In 1998, Washington school districts asked voters to approve a total of \$1.341 billion in bonds for school improvements. Only 57 percent, or \$770.5 million, was approved.

The state supplements money raised by school districts according to a statutory formula designed to provide the average district with half its capital needs.

In practice, however, the state has been unable to supplement school-district construction spending at a steady ratio. Since the early 1990s, the proportion of school-district spending as a percentage of total project construction costs has been increasing. As a result, the average percentage of construction costs born by local property-tax payers has jumped dramatically. From less than 40 percent during 1985-1986, it soared to nearly 70 percent in 1999.

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Repealing the Prevailing Wage law would free up more money for school construction

The state law requiring the payment of prevailing wages on public construction forces taxpayers to pay more than they otherwise would for school construction and remodeling. Public agencies, which should see to the efficient use of taxpayers' money, are forbidden to accept bids from construction firms paying wages voluntarily agreed to by their workers if those wages are lower than the so-called prevailing wages.

How wasteful is the prevailing wage law? Architects West, in Coeur D'Alene, has designed schools in Washington and Idaho, which has no prevailing wage requirement. Based on his experience in both states, architect Jim Christiansen estimates prevailing wages add between 10 and 15 percent to project costs in Washington.

A Research Council survey of a dozen Spokane-area nonunion construction firms suggests that allowing such firms to bid on school construction could, conservatively, save taxpayers in the neighborhood of 27 percent on labor costs, and 12.7 percent on overall project costs. (See our December 20 Special Report, *More and Better Schools with Repeal of Prevailing Wage.*)

This estimate is consistent with estimates made in other parts of the country about the cost-inflating effects of prevailing wages. In 1978, for instance, a Florida State School Board Association survey found that during the previous four years, during which Florida school construction had been exempted from prevailing wages, taxpayers saved about 15 percent on total construction costs.

Much the same thing was found in Ohio 10 years later. In 1998, Ohio's Legislative Budget Office (LBO) issued a first-year report on the 1997 prevailing-wage law exemption for school construction and renovation projects. It said that based on surveys completed by contractors, school construction savings averaging 10.2 percent were possible.

In 1999, funding for school construction projects eligible for a state match totaled \$555 million. Were the 12.7 percent cost reduction projected for Spokane achieved statewide, repeal of prevailing wages would yield more than \$70 million savings. So for every eight schools that school districts currently build, they could build a ninth with no increase in funding.

Conclusion

There is no serious dispute regarding the prevailing wage premium, the extra costs imposed on taxpayers in states that have adopted prevailing wage laws. In Washington, a conservative estimate of the prevailing wage premium is 12.7 percent – that's how much could be cut from the budgets of school construction projects if labor costs were determined by market competition.

Certainly, within the state, labor costs will vary according to market conditions. The savings may be less in the Seattle market, greater in rural Washington. The 12.7 percent calculated here should be easily achievable statewide.

At a time when thousands of students are forced to attend classes in inadequate classrooms, there can be no justification for inflating the costs of school construction by requiring contractors to pay an arcane "prevailing wage."

This Policy Brief is a shorter version of our Special Report *More and Better Schools with Repeal of Prevailing Wage.*

For more on prevailing wage see our Special Report and Policy Brief both titled *Prevailing Wage Laws Mandate Excessive Costs*

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