



Colorado
Legislative
Council
Staff

HB17-1068

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0373
Prime Sponsor(s): Rep. Benavidez

Date: January 27, 2017
Bill Status: House Transportation and Energy
Fiscal Analyst: Kori Donaldson (303-866-4976)

BILL TOPIC: PREVAILING WAGES FOR CDOT PUB-PRIVATE INITIATIVES

| Fiscal Impact Summary | FY 2017-2018 | FY 2018-2019 |
|--|---|--------------|
| State Revenue | | |
| State Expenditures | Potential increase in state expenditures. | |
| Appropriation Required: None. | | |
| Future Year Impacts: Potential increase in state expenditures. | | |

Summary of Legislation

The Colorado Department of Transportation (CDOT) is currently authorized to enter into public-private partnerships for transportation infrastructure projects. Under the bill, CDOT may only consider public-private partnership proposals if such proposals meet or exceed the requirements of the federal Davis Bacon Act.

Background

The federal Davis Bacon Act requires that locally prevailing wages and fringe benefits be paid to workers in qualifying occupations for federal construction contracts that cost more than \$2,000. The U.S. Department of Labor determines the locally prevailing wage rates. Fringe benefits include things like medical insurance and retirement plans. The Davis Bacon Act prevailing wage provisions also apply to construction projects that receive federal assistance through grants, loans, loan guarantees, and insurance. Most CDOT projects are required to meet the provisions of the Davis Bacon Act because they involve federal funds.

State Expenditures

The bill will increase expenditures within CDOT to the extent the department chooses to enter into public-private partnerships for future transportation infrastructure projects that would not have otherwise been required to pay the Davis-Bacon prevailing wage and to the extent the projects employ laborers at a higher hourly rate than would otherwise have been paid.

According to CDOT, only \$47.4 million, or 7.2 percent, of its total FY 2015-16 expenditures for construction projects were *not* required to meet the provisions of the Davis Bacon Act. The remaining expenditures were for projects that involved some type of federal financing, thus requiring that prevailing wage be paid to laborers. Generally speaking, the cost to pay some lower-skilled employees on CDOT projects, such as flaggers or general laborers, is higher when prevailing wage is required than when the laborers are paid for a state project that does not involve some type of federal financing. If, in the future, CDOT opts to enter into public-private partnerships (and to pay its share of the costs with state funds), the labor costs for some labor categories may be higher than the amount paid under a project that does not involve a public-private partnership. However, the costs paid under such a project would be comparable to those costs paid for the majority of the other projects undertaken by CDOT since most transportation infrastructure projects include a federal financing component.

Estimate of potential cost increases. Data are not available to estimate the potential cost increases associated with requiring that prevailing wage be paid for projects financed through public-private partnerships. It is unknown whether CDOT will choose this method of financing projects in the future. Additional unknowns include the type and amount of labor that will be required for future contracts. The prevailing wage rates are different for every category of labor and for different regions of the state. However, if a cost increase of 10 percent were applied to the total amount of eligible expenditures in FY 2015-16, the overall cost increase would have been \$4.7 million. In order to address such an increase, this fiscal note assumes that CDOT would have taken measures to reduce the scope or number of projects paid from this source in order to stay within allowable expenditures.

Local Government Impact

The bill could reduce spending on local transportation infrastructure projects to extent that CDOT enters into future public-private partnerships and pays increased labor costs thus reducing the overall amount of money available for other projects.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

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|----------------|----------------------------------|
| Counties | Information Technology |
| Municipalities | Regional Transportation District |
| Transportation | |