

All Options Were Not Considered

By State Rep. Biff Lee

During the long process to bridge the state's expected budget shortfall, we repeatedly heard the phrase: "Everything is on the table."

While I'm glad Delaware once again has a balanced budget in place, and that the operation of state government continues without interruption, I'm not happy with how we got there. In fact, I was one of 14 state representatives – more than one-third of the chamber – to vote against the \$3.09 billion spending plan (HB 290).

My main objection is that, from the start, it was clear that everything was NOT on the table. Some options that would have considerably reduced the burden on Delaware's taxpayers were never seriously considered.

One idea, which I and many other people supported, was ignored by the Markell administration for political reasons despite its potential to save tens-of-millions of dollars each year. That suggestion was to suspend the state's "prevailing wage" requirements for school construction and state building projects.

Prevailing wage is essentially a minimum wage for skilled and unskilled workers who are employed on the state's public works projects, including schools. Based on a survey conducted by the state Department of Labor, this minimum wage varies by geography, occupation, and type of project. For instance, according to the department's March 2009 list, a bricklayer working a heavy construction project in New Castle County would make a minimum of \$38.48 an hour.

Prevailing wage is a government mechanism that can trace its roots back to laws enacted as early as 1891. The federal government has such a law in place, the Depression era Davis-Bacon Act, which applies to projects receiving federal dollars. Thirty-two states also have enacted prevailing wage statutes. These laws were protective measures to prevent lower cost labor from one area of the country from being "imported" to build a project in another region. However, the realities of 21st Century marketplace have made these protections obsolete and needless.

Prevailing wage rates do not apply to privately funded projects. When an organization in the private sector wants to build a facility, they use the competitive nature of the free market to set the price for labor and materials, saving money in the process.

Some opponents have tried to dismiss calls to suspend the state prevailing wage as Republican dogma that would have dire effects, but that criticism crumbles under objective analysis.

The non-partisan Leadership for Education Achievement in Delaware (LEAD) committee was empanelled by Gov. Minner under Executive Order 98 “to identify ways in which the fiscal efficiency of Delaware’s public education system could be improved.” In its January 2008 report, the LEAD Committee cited an Ohio study that looked at the five-year impact of the Buckeye State’s 1997 decision to exempt school construction from its prevailing wage law. According to the LEAD report: “Ohio achieved substantial savings (20% on additions, 11% on renovations, and 1% on new construction) without any adverse effects on quality or construction wages in the state as a whole.”

The LEAD Committee – a non-aligned group, created by a Democratic governor – recommended that Delaware should suspended its prevailing wage requirement and estimated the move could save taxpayers \$21 million to \$34 million annually.

That recommendation has been ignored, despite the ease of implementing this common sense suggestion. And the perverse refusal of state government to reconsider this outdated law has implications beyond state finances. In Delaware, the state pays for about 70% of the cost of school construction with local taxpayers picking up the remainder. The state’s prevailing wage law drives up the costs directly borne by these individuals, who pay these needlessly inflated expenses via higher property taxes.

It’s not just school projects that are impacted. Delaware requires prevailing wage for all state projects. Suspending or repealing the requirement for these non-school building projects would directly save taxpayers tens-of-millions of additional dollars yearly.

Suspending the prevailing wage on all state and school construction could conservatively save \$50 million annually. That’s more money than the state will realize as a result of the recently-enacted personal income tax hike, the gross receipts tax hike, and the re-established of the estate tax, combined.

Delaware would not be breaking new ground by suspending or eliminating its prevailing wage. According to the U.S. Department of Labor, some 18 states have no prevailing wage law. Half of these states have repealed their prevailing wage laws at some point over the last 30 years. Others, like the aforementioned Ohio, have exemptions for certain types of construction.

There is no objective evidence that public works projects in prevailing wage states are superior to those built in states without such laws in place. The only verified difference is the higher cost of the former.

Rather than risk alienating labor unions, which support the prevailing wage, the Markell administration has fought against efforts to suspend it. Those efforts may pay political dividends for the governor at election time, but it's our citizens that will be footing the bill for his largess in the form of more expensive public projects and higher taxes.