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FISCAL IMPACT REPORT

SPONSOR: Larranaga DATE TYPED: 01/29/03 HB 55

SHORT TITLE: Exempt Small School Projects SB _____

ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			(\$20,000.0)	Recurring	Public School Capital Outlay Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Highway and Transportation Department (SHTD)

New Mexico Department of Labor (NMDOL)

PSCO Deficiencies and Corrections Unit (DCU)

SUMMARY

Synopsis of Bill

House Bill 55 amends Section 3-4-11 NMSA 78 to increase the threshold where prevailing wage rates must apply to public school projects. All public works projects in excess of \$20.0 must currently pay Department of Labor established prevailing wage rates. This bill would exempt public school projects under \$250.0.

Significant Issues

This bill would lower costs for many public school capital projects and likely increase participation by small local contractors, especially in rural areas.

FISCAL IMPLICATIONS

According to the Public Schools Capital Outlay Deficiencies and Corrections Unit (DCU), this bill would result in capital outlay savings of approximately \$20.0 million per year. In a typical

year, the DCU estimates that there is a total of \$100.0 million in school projects that are less than \$250.0. Savings would range from \$3.7 and \$50.0 per project.

OTHER SUBSTANTIVE ISSUES

By proposing to increase the Davis-Bacon minimum wage threshold for public school capital projects, contract costs for affected projects would likely lower. This is due to the increased participation of local non-scale wage contractors whose wage rates may be as much as 50% less than Davis-Bacon wage minimums.

Additionally, the effect of the added rural participation would likely increase competition between bidders. The responses from such bidders would be based on the actual labor supply and demand in the particular area - not on rates established by the Department of Labor. HB55 may make it easier for small rural contractors to participate in public school capital improvement projects.

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