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FISCAL IMPACT REPORT

SPONSOR: Regensberg DATE TYPED: 02/10/03 HB 580

SHORT TITLE: Exemption from Public Works Minimum Wage Act SB _____

ANALYST: Gilbert

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$0.1 See Narrative	Recurring	General Fund/OSF/Federal

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$0.1 See Narrative	\$0.1 See Narrative	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 142

SOURCES OF INFORMATION

LFC Files

Response Received From

New Mexico Department of Labor (DOL)

Energy Minerals and Natural Resources Department (EMNRD) State Parks Division

SUMMARY

Synopsis of Bill

House Bill 580 amends the Public Works Minimum Wage Act, NMSA 1978 §13-4-11 through §13-4-17. The amendment permits a municipality, county or school district, by majority vote of the governing body, to exempt itself from the Public Works Minimum Wage Act.

The Public Works Minimum Wage Act requires the state or any political subdivision to pay pre-

vailing wages for various classes of jobs on construction projects in excess of \$20,000. The purpose of the Act is to insure that persons working on government projects are paid a rate similar to that paid on private projects in the locality. By requiring that the prevailing wage rates be applied to public works, the state insures that (a) government does not force down the prevailing wages in a community by paying lower wages and (b) facilitates the government employing competent workers.

FISCAL IMPLICATIONS

If municipalities, counties and/or school districts elect to be exempt from the provisions of the Public Works Minimum Wage Act, wages on public works projects would fluctuate with market conditions and demand. This should have a positive impact on the cost of public projects contracting, but it may decrease wages for construction workers. Based on past information provided by general contractors, the State Parks Division estimates that the cost of a typical state park project could be reduced by as much as 15%. Lower construction worker pay could also reduce state income tax revenue.

According to the New Mexico Department of Labor (DOL), this bill could exempt public school districts on a case-by-case basis from requiring contractors on any type of construction project within the state from paying prevailing wage rates. As such, some DOL programs, such as the Public Works Apprenticeship and Training (PWAT) program, which receives revenues from public works construction projects, would experience a corresponding loss of revenue. NMDOL is unable to definitively assess the potential financial impact because the rates vary by apprenticeship contract.

ADMINISTRATIVE IMPLICATIONS

If the majority of New Mexico's municipalities, counties and/or school districts elect to be exempt from the provisions of the Public Works Minimum Wage Act, there would be no requirement to pay individuals working on public works construction projects the prevailing wage. Therefore, the DOL Public Works Bureau would not be needed to issue minimum wage rates for laborers and mechanics employed at public works projects and the Wage and Hour Bureau would no longer conduct wage inspections at public works projects.

RELATIONSHIP

House Bill 142 would repeal the Public Works Minimum Wage Act.

ALTERNATIVES

According to the DOL, an increase in the threshold for public works projects from \$20.0 to \$100.0 would reduce the paperwork burden on small contractors and reduce some labor costs.

RLG/yr