Prevailing Wage Committee
Presentation:
Importance of Good Jobs &
The Prevailing Wage
With Research Support from FRESC
I. The Challenge: Can Working Individuals Afford to Live in the City & County of Denver
15.3% of Denver households below federal poverty line (US Census Bureau, 2005 ACS)

25.8% earn less than it costs to live self-sufficiently without government assistance. (Overlooked and Undercounted, Colorado Fiscal Policy Institute)

6 out of 10 occupations with the largest projected growth pay median wages of less than $10 per hour. (Denver Metro Region Job Vacancy Survey Fall 2004, CO Dept. of Labor)

Median Income = $42,370 (Half of all households earn less than this/half more) (US Census Bureau, 2005 ACS - most recent available)
Who can afford to buy median-priced house in Denver?

- Median home price in Denver, second quarter of 2007: $244,000 (dqnews.com)

- **Assuming the borrowers have no other debt** (no car loans, credit card debt, or child support etc.) and can make a down payment of approximately $10,000 or more, the annual household income needed to pay for a mortgage for a $244,000 house is $64,250-$79,000 ($30.89 - $37.89/hr) (ginniemae.gov)

- A family of four who is FHA-qualified, making the self-sufficiency standard, $51,344, could afford a $159,225 house with $6,356 down assuming they have no other debt. (ginniemae.gov)
Who Can Afford to Rent in Denver?

<table>
<thead>
<tr>
<th>2005 Income Ranges</th>
<th>Maximum Affordable Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0-$9,999</td>
<td>$210</td>
</tr>
<tr>
<td>$10,000-$19,999</td>
<td>$460</td>
</tr>
<tr>
<td>$20,000-$29,999</td>
<td>$700</td>
</tr>
<tr>
<td>$30,000-$39,999</td>
<td>$950</td>
</tr>
<tr>
<td>$40,000-$49,999</td>
<td>$1,200</td>
</tr>
<tr>
<td>$50,000-$59,999</td>
<td>$1,440</td>
</tr>
<tr>
<td>$60,000-$69,999</td>
<td>$1,680</td>
</tr>
<tr>
<td>$70,000-$79,999</td>
<td>$1,920</td>
</tr>
<tr>
<td>$80,000-$89,999</td>
<td>$2,160</td>
</tr>
<tr>
<td>$90,000-$99,000</td>
<td>$2,410</td>
</tr>
<tr>
<td>$100,000-$124,999</td>
<td>$3,025</td>
</tr>
<tr>
<td>$125,000-$149,999</td>
<td>$3,650</td>
</tr>
<tr>
<td>$150,000+</td>
<td>$3,650+</td>
</tr>
</tbody>
</table>

Median Rent, Denver, First Quarter 2006

- Efficiency: $498.69
- 1-Bed: $641.65
- 2-Bed 1-Bath: $795.14
- 2-Bed 2-Bath: $922.66
- 3-Bed: $1,037.25
- All: $717.05
What wages allow a family to live without government assistance in Denver?

The Self-Sufficiency Standard for Denver County 2004

<table>
<thead>
<tr>
<th>1 Adult</th>
<th>1 Adult, 1 school-age teenager</th>
<th>1 Adult, 1 infant</th>
<th>1 Adult, 1 infant, 1 preschooler</th>
<th>2 Adults, 1 infant, 1 preschooler</th>
</tr>
</thead>
<tbody>
<tr>
<td>• $18,732/year</td>
<td>• $31,251/year</td>
<td>• $33,833/year</td>
<td>• $44,991/year</td>
<td>• $51,344/year</td>
</tr>
<tr>
<td>• $8.87/hour</td>
<td>• $14.80/hour</td>
<td>• $16.02/hour</td>
<td>• $21.30/hour</td>
<td>• $12.16 /hour per adult</td>
</tr>
</tbody>
</table>

The Self-Sufficiency Standard describes the income required by Colorado’s working families to cover basic expenses: housing, food, child care, out-of-pocket health care, transportation and miscellaneous costs and taxes.

These wages assume employer-provided health care (would have to be higher if no insurance provided).

The basic budget does not include: restaurant/take-out food, savings, debt payments or emergency funds. (Colorado Fiscal Policy Institute).
II. One Policy Proposal to Address These Challenges: The Prevailing Wage
Why Examine TIF Projects?

- **TIF is a tax diversion that is intended to achieve public good**
  - State statute requires TIF to be for “public purpose”
  - City council approval required
  - TIF impacts Denver’s budget (often must cover increased services, without new revenue for years)
  - Projects should advance Denver’s priorities

- **Has been treated differently than private construction receiving other public assistance**
  - Community Development Block Grant
  - Metropolitan Districts
  - General fund $$ spent in redevelopment areas (Business Incentives Special Revenue Fund)
Why Construction & Prevailing Wages?

1) A significant portion of TIF-eligible expenses are for construction

2) Many construction crafts require years of technical training (classroom – which earns college credit, on the job, safety, on-going for new technology) & all are physically demanding, high risk

3) Construction has helped build our middle class, but that is at risk

4) The PW helps construction families afford to live in Denver
<table>
<thead>
<tr>
<th>Classification</th>
<th>Hourly Wage/fringe</th>
<th>Annual (x2080)</th>
<th>Self-sufficient?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ironworker</td>
<td>22.50/8.16</td>
<td>46,800</td>
<td>Slightly above minimum for 1 adult with 2 small kids</td>
</tr>
<tr>
<td>Laborer (concrete)</td>
<td>14.20/4.55</td>
<td>29,536</td>
<td>Still not enough to raise 1 child</td>
</tr>
<tr>
<td>Electrician (&lt;600 volt – wiring installation, controls, alarms, security etc.)</td>
<td>28.91/10.33</td>
<td>60,133</td>
<td>Above minimum – homeownership possible, college savings, a vacation now and then</td>
</tr>
<tr>
<td>Sheet Metal (HVAC &amp; duct)</td>
<td>$27.34/10.73</td>
<td>56,867</td>
<td>Above minimum – homeownership possible, college savings, a vacation now and then</td>
</tr>
</tbody>
</table>
We recognize there are arguments for and against prevailing wage

**For**
- Increases wages and benefits
- Improves training opportunities and funding for training
- Increases tax revenue and decreases reliance on public services
- Improves safety on the job
- More accurate bids → fewer cost-overruns

**Against**
- Cost of projects higher
- Administrative burden of classifying and reporting
III. What Does Evidence Say?

What happens in construction environments without prevailing wage?

(When compared to an environment with prevailing wage)

1995 Study of Nine States that Repealed Prevailing Wage
by Mangum, Philips, Waitzman and Yeagle
BIDS VS. COST-OVERRUNS

Figure 2.3 The ratio of accepted bids and final cost to the Utah state engineer’s estimate of road construction project cost, before and after repeal of the state’s prevailing wage law.
Figure 2.4 A comparison of annual construction earnings, by status of prevailing wage law
FEWER OPPORTUNITIES FOR PEOPLE OF COLOR

Figure 3.9 Minorities as a percentage of all construction apprentices by state groups
Figure 4.1 Injury rates in construction by status of prevailing wage law
OTHER FINDINGS
When there is not PW:

- Less training of registered apprentices

(PW doesn’t guarantee training, but there is a built-in incentive that increases the number of apprentices being trained on a job)
SLIGHT INCREASE IN JOBS

- 1.7% overall increase in jobs in Utah

- But offset by 5% overall decrease in wages in the construction industry in Utah

(which means less money flowing through the economy to create other jobs, less government revenue)
But What About Cost?
3 Reasons Why It Doesn’t Work the Way You May Think it Does

1) A certain % increase in wages ≠ same % increase in project cost, because materials make up a large amount of project price, especially right now.

2) If you pay workers more, but:
   - need fewer workers, and/or
   - those workers work more efficiently, and/or
   - they make fewer mistakes that cost $....
   your labor cost will actually be same or lower.

3) We have heard many claim there is a large increase in costs under PW — most of these examples and studies compare initial bids, NOT the actual cost of the project when completed (including cost overruns, delays, and rework that all cost more than the original bid).
How does PW Impact TOTAL Construction Cost?

A study for the New Mexico Legislature compared five PW states with three non-PW states in the Southwestern and Intermountain Region and squarely proves the point that PW does not drive up total project cost. Dr. Peter Phillips, a professor at the University of Utah and the nation’s leading prevailing wage expert, found that average per square foot construction costs were lower in prevailing wage states.

<table>
<thead>
<tr>
<th></th>
<th>States w/ PW</th>
<th>States w/out PW</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>No. of Buildings</td>
</tr>
<tr>
<td>Offices</td>
<td>$95</td>
<td>23</td>
</tr>
<tr>
<td>Warehouses</td>
<td>$61</td>
<td>12</td>
</tr>
<tr>
<td>Elementary Schools</td>
<td>$67</td>
<td>116</td>
</tr>
<tr>
<td>Middle Schools</td>
<td>$66</td>
<td>76</td>
</tr>
<tr>
<td>High Schools</td>
<td>$70</td>
<td>31</td>
</tr>
</tbody>
</table>

Other Questions and Concerns

- Administrative Burden?

Steps to Improve Further:
- Coordination with knowledgeable staff early (classification), electronic reporting
- Learn from systems developed by other Redevelopment Authorities with PW policies
Steps to Improve Further:

- Work with Emily Griffith to improve basic skills and apprenticeship preparation to prepare more Denver residents for apprenticeship (both union and non-union), particularly from communities of color.

- More coordinated outreach to Denver community organizations, supportive services (transportation, child care etc.).
Consistency with SBE/DBE?

- SBE/DBE certified to do work on Denver projects or federal projects should already have systems and experience with PW – – but if there are barriers then we should offer more mentoring and assistance to contractors.
Total Cost/Benefit Balance:

- “We get more value, I think, through the prevailing wage by getting a higher quality of work. And I think the tax payer receives more than their share for their dollar invested. “

- “And really by having an opportunity to demonstrate that sometimes when you pay a higher wage, that you get a better product and the overall quality is a sufficiently higher quality that you more than compensate for the size in addition of costs – that the overall benefits to the taxpayers in the community far outweighs the costs.”

By Mayor John Hickenlooper, who testified:

“not just as the mayor, but as a business person, that recognizes and believes that this is in the best interest of the taxpayers.”

(Senate Committee on Business Affairs & Labor, February 4, 2004, Testimony in Opposition to SB04-155, which would have limited the power of cities to have Prevailing Wage ordinances)
IV

Brief History of Denver’s Prevailing Wage Committee’s Efforts

- City balances values, policies, and priorities → DURA implements
  - Precedent: 1% for Art, SBE/DBE, First Source

- Original Proposal – Ordinance requiring PW on All TIF Projects

- Revised – Proclamation that focused on fair process and hopefully increased PW on TIF projects, but without requirement
Prevailing wage policies can be win-win

- **Developers** - Better to have clear expectations than uncertainty and a debate that could result in changes at council at end of process, higher quality project
- **Government** - Better economic stimulus, fewer uninsured
- **Workers** – Family-sustaining wages, increased likelihood of health care coverage
- **Contractors** – level playing field to bid, can attract higher quality workers, those who already pay good wages and benefits not frozen out
The Question that Denver must ask:
How do we balance the pros and cons?

For policymakers, what’s most important?