

# SENATE BILL REPORT

## HB 2527

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As Reported by Senate Committee On:  
Commerce & Labor, February 28, 2014

**Title:** An act relating to establishing the prevailing rate of wage based on collective bargaining agreements or other methods if collective bargaining agreements are not available.

**Brief Description:** Establishing the prevailing rate of wage based on collective bargaining agreements or other methods if collective bargaining agreements are not available.

**Sponsors:** Representatives Ormsby, Appleton, Moscoso, Sells, Stanford, Bergquist, Reykdal, S. Hunt, Roberts, Cody, Fey, Freeman, Riccelli and Pollet.

**Brief History:** Passed House: 2/17/14, 59-37.

**Committee Activity:** Commerce & Labor: 2/28/14 [DPA, DNP, w/oRec].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass as amended.

Signed by Senators Holmquist Newbry, Chair; Conway, Ranking Member; Hasegawa and Kohl-Welles.

**Minority Report:** Do not pass.

Signed by Senators Hewitt and King.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Braun, Vice Chair.

**Staff:** Mac Nicholson (786-7445)

**Background:** Employers on public works projects must pay prevailing wages. The prevailing wage is the hourly wage, usual benefits, and overtime paid to the majority of workers in the largest city of the county where the work is being performed. The prevailing wage is determined by the industrial statistician at the Department of Labor and Industries (L&I) using wage surveys. If the majority of workers in a trade or occupation in the largest city of a county are paid at the same wage rate for the same work, that wage becomes the prevailing wage for that work. If no single wage rate is paid to a majority of workers in the same trade or occupation in the largest city in a county, an average wage is calculated and established as the prevailing wage.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

When the rate calculated in the survey process matches the rate of a collective bargaining agreement during the survey period, the prevailing wage rate will be derived from the collective bargaining agreement. A prevailing wage based on a collective bargaining agreement may be adjusted based on changes to the collective bargaining agreement.

**Summary of Bill (Recommended Amendments):** A pilot project is created to establish the prevailing wage rate for the following trades: inside electricians; powerline construction electricians; plumbers, pipefitters, and steamfitters; sprinkler fitters; and roofers. Under the pilot project, the industrial statistician must establish the prevailing wage rate by adopting the hourly wage, usual benefits, and overtime pay established in collective bargaining agreements for the specified trades. The prevailing wage rate under the pilot project must be published no later than February 2015, and may be adjusted semi-annually based on changes to the collective bargaining agreements. If there is no collective bargaining agreement, the prevailing wage rate must be established by conducting wage surveys. The pilot project expires August 1, 2018.

**EFFECT OF CHANGES MADE BY COMMERCE & LABOR COMMITTEE (Recommended Amendments):** Creates a pilot project to establish the prevailing wage based on collective bargaining trades for specified trades.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on House Bill:** PRO: This issue was identified in the cost driver study. The approach in this bill is used in other states, and the wage is negotiated between labor and contractors. This is a new approach to fix a prevailing wage system that does not work. The current survey system is burdensome and tedious and results in inconsistent prevailing wages that do not make sense. This approach will reflect actual, negotiated rates, and will save money on projects and save time and resources that are currently used in the wage survey process.

CON: This is a bad bill for taxpayers and small businesses. This bill creates direct conflict in the prevailing wage statutes. The majority of workers are not represented by a collective bargaining agreement, so a prevailing wage based on a collective bargaining agreement would not be a majority wage. There are significant issues with the current wage survey process, where there is self-selection bias and unions have huge incentives to participate. This bill does not address or fix any problems, it only institutionalizes the problems.

**Persons Testifying:** PRO: Representative Ormsby, prime sponsor; David Myers, WA State Building & Construction Trades Council; Larry Stevens, National Electrical Contractors Assn.; Mechanical Contractors Assn.; Klaas DeBoer, National Electrical Contractors Assn., SW WA Chapter.

CON: Gary Smith, Independent Business Assn.; Maxford Nelsen, Freedom Foundation.