

HOUSE BILL REPORT

HB 1908

As Reported by House Committee On:
Commerce & Labor

Title: An act relating to defining locality for purposes of paying prevailing wages on public works, including the off-site prefabrication of nonstandard, project-specific items.

Brief Description: Defining locality for purposes of paying prevailing wages on public works, including the off-site prefabrication of nonstandard, project-specific items.

Sponsors: Representatives Wood, Ormsby and Conway.

Brief History:

Committee Activity:

Commerce & Labor: 2/16/07, 2/27/07 [DP].

Brief Summary of Bill

- Changes "locality" for purposes of determining the prevailing wage from where the physical work is performed to where the public work is located.
- Provides that for the off-site prefabrication of nonstandard, project-specific items outside Washington, the "locality" is the place where the installation is being performed.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Green, Moeller and Williams.

Minority Report: Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member and Crouse.

Staff: Joan Elgee (786-7106).

Background:

Under Washington's prevailing wage law, wages paid to laborers, workers, or mechanics on all public works and public building service maintenance contracts must be not less than the

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prevailing rate of wage in the same trade or occupation in the locality within the state where the labor is performed. The "locality" is the largest city in the county where the physical work is being performed.

A 1988 a Washington Supreme Court decision interpreted "public works" to include nonstandard items specifically produced for public works projects and produced off-site. "Locality" in these cases is the county in which the actual prefabrication takes place.

Summary of Bill:

The "locality" for purposes of determining prevailing wages is the largest city in the county where the public work is located (rather than where the physical work is performed) or the public building maintenance service contract is performed. For the off-site prefabrication of nonstandard, project-specific items in a location outside Washington, the "locality" is the largest city in the county where the physical work of the on-site installation of the item is being performed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) A lot of states are dealing with this and the issue has been around for a while. We want to find something that works and level the playing field for everyone. The discussion needs to begin somewhere. We know there are legal problems.

This is just one of the outsourcing problems Washington businesses face and it primarily affects small employers. We need to protect our fabricators from unfair competition from out-of-state fabricators who don't have to pay the prevailing wage. This bill addresses border raiding where a contractor just across the Idaho-Washington border bids on Washington contracts. Fabrication contractors have three options: move out-of-state, cheat on wages, or watch their business die. It's very difficult for us to successfully bid a public works project. We have lost \$2.5 million to contractors who are fabricating out-of-state. We lost a lot of work when the Spokane Memorial Arena was being built. Workers were being paid \$9 - \$12/hour, much less than the prevailing wage. We are also dealing with precast concrete coming from Canada.

The reality is that people are out of work while the school their child attends is being constructed by out-of-state contractors. The state is losing tax dollars and we want to keep state money in the state. We need help.

(Opposed) This bill is contrary to the best interests of the workers. We are in the prefabricated concrete industry and we could have many different job rates because we ship across the state and to different states. It could be a real administrative nightmare. The cost of living and doing business varies from county to county. You might have to pay King County wages in Chelan County and vice-versa and I don't think this is what was intended. The Interstate Commerce Commission won't let us tell other states what they are going to pay their workers. The enforceability is a serious problem.

If you provide an in-state preference, it doesn't take long for Washington contractors to be faced with the same disincentives for trying to compete in other states. This bill has far-reaching ramifications and needs to be studied further.

Persons Testifying: (In support) Representative Wood, prime sponsor; Dave Johnson, Washington State Building Trades; Jerry Sirek, L&R Fabrication Inc.; Jim Morgan, Apollo Sheet Metal; Rick Schrader, Pro Heating and Air Conditioning; Kolby Hanson, Sheet Metal Workers Local 66; and Pete Crow, Washington State Plumbers and Pipefitters.

(Opposed) Judith Jewell, Olympian Precast; Kathleen Garrity, Associated Builders and Contractors; and Rick Slunaker, Associated General Contractors.

Persons Signed In To Testify But Not Testifying: None.