

Policy Brief



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Schools Would Benefit from Exemption to State's Prevailing Wage

Every year, Delaware's school districts face the task of improving school conditions, staying current with technology and meeting the high demands the public expects of public education. With these demands and voters' insistence on efficiency, every dollar that is spent should stretch as far as possible.

The state's prevailing wage law undermines this objective. There is no question that the prevailing wage requirement forces school districts to pay more for construction projects than they would otherwise need to.

The Problem

Delaware's law requiring construction firms to pay workers the prevailing wage when working on public projects needlessly inflates the costs of such projects. Delaware's law requires the prevailing wage to be used on new projects costing \$100,000 or more and on remodeling projects costing \$15,000 or more.

The prevailing wage is determined by a survey of both union and merit shop firms in Delaware. The prevailing wage is set at the majority amount provided by survey respondents in specific trades. For example if various "laborers" submit 99 different wage rates, broken down as 50 at \$17.95, 39 at \$16.25 and 10 at \$17.55, the prevailing wage will be \$17.25.

The Bureau of Labor Statistics (BLS) noted the following wage rates for Wilmington in May of 2007:

- Carpenter: \$22.39/hour
- Sheet Metal: \$22.89/hour
- Laborer: \$14.69/hour
- Electrician: \$25.21/hour
- Iron Worker: \$21.39/hour

With the State's prevailing wage law in place, the hourly rates become:

- Carpenter: \$45.91/hour
- Sheet Metal: \$59.28
- Laborer: \$34.60/hour
- Electrician: \$54.05/hour
- Iron Worker: \$53.27/hour

The Solution

Estimates from the LEAD Report commissioned by former Governor Ruth Ann Minner state that the savings from exempting school construction from the prevailing wage requirement would save the state between \$21 and \$34 million annually.

Why This Works

Prevailing wage laws create a disincentive to complete projects in a timely and efficient manor as workers desire to stay on the job with the higher mandated pay as opposed to private jobs that are not required to pay the prevailing wage. As the State of Delaware faces a \$750 million plus budget shortfall, exempting school construction projects from the prevailing wage offers a reasonable piece to the broader solution of closing this gap. If added to Governor Markell's plan to balance the budget, this proposal will provide needed relief and possibly a reduction in the proposed salary and benefit cut (a combined 10%) for state workers.

Delaware currently ranks 8th in the nation for overall school spending, but only 27th in performance. Implementing this proposal will surely help to reduce the cuts that are coming to school funding and the reallocation of funds may help to insure that Delaware does not slip further in performance.