

HOUSE RESEARCH

Bill Summary

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Overview

This bill makes changes to the statutes requiring that employees on certain state-funded projects be paid the wage determined to be "prevailing" for that job in the area where the work is being done. Under the current state law, prevailing wages for each job in each county are determined by the Department of Labor and Industry through a survey process. Under this bill, the state determination of prevailing wages would be eliminated, and the prevailing wage used would be the same wage determined by the federal government for the particular job and area for the purposes of enforcing the parallel federal statute related to federally funded projects.

The bill makes several other changes to the prevailing wage system. Changes include limiting the application of the prevailing wage requirements to employees who work directly on the job site and to projects where at least half the cost is direct state funding, requiring bid specifications and invitations for proposals to specify when prevailing wage must be paid, and substantially decreasing municipalities' authority to set minimum labor standards.

- 1 Prevailing wage required.** Provides that prevailing wage requirements only apply to employees who are employed in connection with and directly on the project work site of covered projects.
- 2 State projects and state highway construction; public policy.** Modifies statement of public policy with respect to the payment of prevailing wages to apply only to projects financed in whole or in largest part by state funds.
- 3 Definitions.**
 - Subd. 1. Scope.** The bill does not change this subdivision.
 - Subd. 2. Project.** Changes the definition of a "project" that must pay prevailing wage to include only projects that are directly financed by state funds that amount to at least half of the project's costs. Current law does not include the requirement that the state funds constitute at least half of the costs, nor does it refer to "direct" financing with state funds. This section also exempts

projects covered by the federal prevailing wage statute.

Subd. 3. Area. Provides that the "area" used to apply prevailing wage statutes is generally the county where the project is located or, in the case of multi-county projects, the county in which the largest part of the project is located. Also provides, however, that if the federal government has not, within the last two years, determined a prevailing wage for that job class in the county that the definition would suggest, then the "area" is the nearest county in the region where a prevailing wage rate has been determined by the federal government in the last two years for that job class.

Subd. 4. Prevailing hours of labor. Provides that the prevailing hours of labor on any project are forty hours per week. Current law requires the prevailing hours to be determined similarly to prevailing wages, with the statement that they can never be more than forty hours per week or eight hours per day.

Subd. 5. Hourly basic rate. Provides that the hourly basic rate means the hourly wage paid to an employee employed in connection with and directly on a project work site.

Subd. 6. Prevailing wage rate. This subdivision provides that the prevailing wage for any job class in a county is the federally determined prevailing wage. This replaces the requirement that the department of labor and industry determine a prevailing wage for each job class and county. If there has been no federal rate determined for the job class and county in the last two years, the subdivision provides that the rate in the nearest county in the region for which there has been such a determination will be used. If no county in the region has had a determination for the job class in the last two years, the prevailing wage will be the minimum wage (currently \$5.15 for most employers).

4 Contracts for state projects; penalty.

Subd. 1. Hours of labor. Provides that any bid specification or request or invitation for proposal must include the required statement that prevailing wage statutes will be followed. Makes language consistent with the bill's other sections providing that prevailing wage and hour requirements apply only to the employees employed in connection with and directly on the project work site.

Subd. 2. Exceptions. Provides that prevailing wage and hour requirements apply only to employees employed in connection with and directly on the project work site, and that all other employees are not subject to the requirements, including all employees who manufacture, process, or deliver materials. Removes language stating that the requirements cover certain employees delivering mineral aggregate, and states that these employees are not covered.

Subd. 3. Contract and bid requirements. Provides that contracts, bid specifications, and invitations for proposals must state that prevailing wage requirements will apply, and that if that statement is not included, prevailing wages are not required to be paid.

Subd. 4. Confirmation by commissioner. Replaces the requirement that the commissioner of labor and industry determine prevailing wage rates with a requirement that the commissioner confirm the federal rates referenced in section 3, subdivision 6. Provides that employers may request additions or corrections to the schedule of prevailing wage rates.

Subd. 5. Penalty. Makes language consistent with other sections of the bill. Provides that subcontractors must make evidence of compliance available to contractors, rather than the current requirement that they "furnish" that evidence.

Subd. 6. Examination of records. Current law allows the department to demand copies of all payrolls for the purposes of enforcement. This section allows the department instead to examine whatever payroll records relate to wages paid on work to which the prevailing wage requirements apply. Provides that data derived from examinations of records is private data or

the purposes of the data practices statutes.

Subd. 7. Applicability. Current law exempts projects under \$2,500 where one trade is involved or projects for under \$25,000 where more than one trade is involved. This section increases these exemption limits to \$25,000 and \$100,000 respectively.

- 5 Highway contracts; hours of labor; wage rates; penalty.** Makes changes to the highway contract provisions that are similar to the changes made in previous sections, including the limitation to employees employed in connection with and on the site of the project, the exclusion of all delivery employees, the use of federally determined rates, the elimination of the requirement that the department determine wage rates, the new requirements for bid specifications and requests, and the shift from demands for payroll records to examinations of those records.
- 6 Minimum labor standards.** Current law provides that municipalities may determine wage rates and other minimum labor standards to be applied to projects within that municipality. This section removes that authority, except as to a specific project by resolution, in which case the municipality may only adopt the state prevailing wage rate and hours of labor. Prohibits municipalities from establishing any other prevailing wage and hour requirements for any projects or work, irrespective of how they are funded.
- 7 Repealer.** Repeals section providing that construction of a value-added agricultural product processing facility with certain loans or grants is a "project" for prevailing wage purposes.