



For Immediate Release
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Study: Prevailing wage costs Michigan schools \$224M annually

A new study by East Lansing-based Anderson Economic Group (AEG) found that Michigan's prevailing wage law is costing taxpayers and draining millions of dollars per year from the state's public universities, community colleges and school districts by driving up the costs of construction projects.

With no additional taxpayer funding, more than 315 elementary buildings could have been built in the past decade with the money lost to prevailing wage.

"Over the past ten years, Michigan taxpayers spent \$224 million per year more on construction projects for K-12, community colleges and higher education than they would have without the state's prevailing wage law raising construction labor costs," says Alex Rosaen, a senior consultant at AEG and one of the study's authors.

"The findings add to the mounting evidence about the wastefulness of prevailing wage and provide further support for repeal of the law," says Chris Fisher, president of Associated Builders and Contractors of Michigan, which commissioned the impartial study.

"Not only is the law costly and outdated, but it denies local choice to school and university leaders who are entrusted by citizens to wisely manage financial resources," Fisher explains.

"Prevailing wage requires the public to pay artificially high wages on state-backed construction

projects, reducing money for other vital needs with no return on investment for such unjustifiable cost overruns.”

The study’s release comes as bills that would eliminate Michigan’s prevailing wage law are pending before the state Legislature. ABC points to unnecessary, wasteful spending in a time of depleted construction budgets as a key reason for its support of the legislation.

Michigan’s prevailing wage law, on the books since 1965, requires that workers on construction projects, whose financing is backed by the state, adhere to the “prevailing wage” for the area in which the project is located. The law requires all construction firms to pay wages and abide by work rules based on provisions in union agreements, even though unions represent less than 20 percent of the industry’s workforce. The law lacks transparency, as taxpayers, public officials and educational entities have no say at the bargaining table while the prevailing wage mandates are issued

Only seven states have similar laws applying to the construction industry; the other 43 states either have no such mandate or more fairly and accurately determine wages based on an actual sampling of construction workers. The artificially high wage mandates for publicly funded work are well above the average state construction wage of approximately \$47,000.

“Construction is already more highly compensated than most other industries in Michigan. The unnecessary overspending is money that could have been invested in necessities such as hiring new teachers, upgrading technology or building new schools,” Fisher notes. “At a time of depleted education budgets, parents, students and taxpayers deserve more than being saddled with unfunded mandates such as prevailing wage.”

The full study on Michigan’s prevailing wage law is available at www.PrevalingWageTruth.com.

Anderson Economic Group provides unbiased research and consulting in economics, finance, market analysis and public policy only in its areas of expertise. AEG work is based on the work performed, not the outcome of an investment, legal proceeding, or revenue target.

www.andersoneconomicgroup.com.

ABC of Michigan is a statewide trade association representing the commercial and industrial construction industries, dedicated to open competition, equal opportunity and accountability in publicly funded construction projects. www.abcmi.com.

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