

# SENATE BILL REPORT

## SB 5766

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As Reported by Senate Committee On:  
Labor & Commerce, February 18, 2019

**Title:** An act relating to the methodology for establishing the prevailing rate of wages for the construction of affordable housing, homeless and domestic violence shelters, and low-income weatherization and home rehabilitation public works.

**Brief Description:** Addressing the methodology for establishing the prevailing rate of wages for the construction of affordable housing, homeless and domestic violence shelters, and low-income weatherization and home rehabilitation public works.

**Sponsors:** Senators Conway, King, Keiser and Kuderer.

**Brief History:**

**Committee Activity:** Labor & Commerce: 2/15/19, 2/18/19 [DPS].

**Brief Summary of First Substitute Bill**

- Requires the industrial statistician to use wage and hour surveys to establish prevailing wages for affordable housing, homeless and domestic violence shelters, and low-income weatherization and home rehabilitation public works.
- Provides for interim rates pending the establishment of rates based on surveys.

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### SENATE COMMITTEE ON LABOR & COMMERCE

**Majority Report:** That Substitute Senate Bill No. 5766 be substituted therefor, and the substitute bill do pass.

Signed by Senators Keiser, Chair; Conway, Vice Chair; King, Ranking Member; Braun, Saldaña, Walsh and Wellman.

**Staff:** Jarrett Sacks (786-7448)

**Background:** State law requires that prevailing wages be paid to laborers, workers, and mechanics employed upon all public works and under all public building service maintenance contracts. Public works means all work, construction, alteration, repair, or

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improvement other than ordinary maintenance that is executed at the cost of the state or any municipality. The prevailing wage is the hourly wage, usual benefits, and overtime paid in the largest city in each county, to the majority of workers, laborers, or mechanics in the same trade or occupation. Prior to 2018, the industrial statistician at the Department of Labor and Industries (L&I) conducted wage and hour surveys to establish prevailing wages.

In 2018, the Legislature changed the method for determining the prevailing wage. The industrial statistician establishes the prevailing wage by adopting the hourly wage, usual benefits, and overtime established in collective bargaining agreements for those trades and occupations that have collective bargaining agreements. For trades and occupations with more than one collective bargaining agreement in the county, the higher rate is used. For trades and occupations with no collective bargaining agreements in the county, the industrial statistician must conduct wage and hour surveys to establish the prevailing wage. If a survey is not feasible, the industrial statistician may employ other appropriate methods.

For some trades, a separate prevailing wage rate is established for commercial and residential construction. If a separately bargained residential rate for a particular trade exists, the industrial statistician adopts this rate for residential construction. Otherwise, the rate for the particular trade applies to both commercial and residential construction.

**Summary of Bill (First Substitute):** For residential construction, the industrial statistician must establish the prevailing wage by conducting wage and hour surveys. The industrial statistician must conduct initial surveys as soon as feasible and must conduct wage and hour surveys for the relevant trades at least every five years. If the industrial statistician determines that information received from a survey is insufficient, they may employ other appropriate methods to establish the prevailing wage.

Residential construction means construction, alteration, repair, improvement, or maintenance on single-family dwellings, duplexes, apartments, condominiums, and other residential structures not to exceed four stories, including the basement, in the following categories:

- affordable housing;
- weatherization and home rehabilitation programs for low-income households; and
- homeless shelters and domestic violence shelters.

Before the initial survey, prevailing wages for residential construction must be determined by calculating the percentage change in the annual average hourly construction worker wages since the prevailing wage for that trade was last adjusted, adding the percentage change to 100 percent, and applying that percentage to the rate in effect prior to the 2018 rate adjustments.

The industrial statistician must publish the wage rates within 30 days after the effective date of the bill, and the wage rates take effect 30 days after publication.

**EFFECT OF CHANGES MADE BY LABOR & COMMERCE COMMITTEE (First Substitute):**

- Changes the formula for calculating the interim prevailing wage rates to adding the percentage change in annual average hourly construction worker wages to 100

percent and then applying that percentage to the rate in effect prior to the 2018 rate adjustments.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony on Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: This bill stems from a bill that passed last year to simplify the way prevailing wage is calculated. That bill had unintended consequences for low income housing and other areas that rely on residential prevailing wage rates. This bill is designed to fix the unintended consequences. It is a narrow fix that is the result of negotiations between the stakeholders.

OTHER: The problem is wider than the scope of the bill. Costs have gone up and the scopes of projects have been narrowed due to the bill that passed last year.

**Persons Testifying:** PRO: Senator Steve Conway, Prime Sponsor; Michele Thomas, Washington Low Income Housing Alliance; Craig Engelking, Washington State Community Action Partnership; Andrew Calkins, King County Housing Authority and Association of Washington Housing Authorities; Mark Riker, Washington State Building and Construction Trades Council.

OTHER: James Thompson, Washington Public Ports Association.

**Persons Signed In To Testify But Not Testifying:** No one.