



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Initiated Legislation (as enacted)

PUBLIC ACT 171 of 2018

Date Completed: 6-13-18

CONTENT

Public Act 171 of 2018, initiated by petition and adopted by the Legislature, repealed Michigan's prevailing wage law, Public Act 166 of 1965.

Also, for fiscal year 2017-18, Public Act 171 appropriates \$75,000 from the State's General Fund to the Department of Licensing and Regulatory Affairs, for the purpose of implementing and communicating information about the repeal. Public Act 171 designates the appropriation as a work project under the Management and Budget Act, with an estimated completion date by December 31, 2019.

Public Act 171 states that if any part of the Act is found to conflict with the State Constitution, the United States Constitution, or Federal law, the Act must be implemented to the extent permitted by the State or U.S. Constitution or Federal law, and any provision held invalid or inoperative must be severable from the remainder of the Act.

Public Act 171 took effect on June 6, 2018.

MCL 408.551-408.558 (Repealed)

BACKGROUND

Prevailing Wage Law

Michigan's prevailing wage law was enacted in 1965 and took effect the following year. Under Public Act 166 of 1965, contracts for construction projects that were financed or financially supported by the State had to require the contractor to pay to construction workers wages and fringe benefits that were not less than the wages and benefits prevailing in the locality where the work was to be performed. The prevailing wages and benefits had to be determined by the Department of Licensing and Regulatory Affairs based on the rates under collective bargaining agreements that covered the locations of the projects. For example, if the State contracted with a construction company to build a prison in the City of Lansing, or the State acted as surety for the payment of bonds issued by the Lansing School District to pay for school building renovations in the city, the contractor would have been required to pay its construction workers at least the wages and benefits determined to be prevailing in that area, based on local collective bargaining agreements. Public Act 166 was patterned after the Federal prevailing wage law, known as the Davis-Bacon Act.

According to a manual published by the Department's Wage and Hour Division, Michigan's law covered projects of the State, public schools, community colleges, and State colleges and universities, that were paid for by State funds or State-backed bonds. The Act did not cover construction projects initiated by cities, townships, or counties.

Initiation of Legislation

Under Article II, Section 9 of the State Constitution, the people of the State have the power to propose laws through the initiative. Invoking the initiative requires petitions signed by at least 8% of the total vote cast for all candidates for Governor at the previous gubernatorial election. If sufficient signatures are obtained, the Legislature must enact or reject the proposed law without change within 40 session days after receiving the petition. If the Legislature does not enact the proposed law within that time period, the law must be submitted to the people for approval or rejection at the next general election. An initiated law is not subject to the Governor's veto power.

In May 2017, a group called Protecting Michigan Taxpayers submitted to the Secretary of State an initiative petition form to repeal Public Act 166 of 1965, and the Board of State Canvassers approved the form. In November 2017, signed petitions were submitted to the Bureau of Elections, in the Department of State. In April 2018, the four-member Board of State Canvassers voted two-to-two on whether to certify the petition, due to a dispute regarding petition circulators. The deadlock precluded certification, and Protecting Michigan Taxpayers brought a lawsuit against the Board. On May 11, 2018, the Michigan Court of Appeals held that the Board had a legal duty to certify the petition and directed the Board to do so. The Michigan Supreme Court denied leave to appeal.

The Michigan Senate and House of Representatives received the petition from the Secretary of State on June 1, and both approved it on June 6. The petition then was filed with the Secretary of State and became Public Act 171 of 2018, with an effective date of June 6, 2018.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Public Act 171 of 2018 will potentially have a positive fiscal impact on State and local government as a result of lower costs for public construction projects, assuming that contractors will reduce spending on wages and fringe benefits and the reduction will be reflected in contract costs. The magnitude of the impact will depend on the number of construction projects affected and the difference between wages and benefits offered under the prevailing wage law and those offered following its repeal. Wages and benefits following the repeal will depend on general market conditions as well as those in the specific locality where a project is located. Relevant factors may include the degree of competition among contractors and the strength of the labor market. The repeal will not affect projects receiving Federal funding, as they are subject to separate regulations regarding compensation.

Public Act 171 also appropriates \$75,000 GP/GP to the Department of Licensing and Regulatory Affairs to fund the implementation of, and communication about, the repeal.

Fiscal Analyst: Elizabeth Raczkowski

SAS\S1718\sPA171es

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.