

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2798 STATE OF NEW JERSEY 220th LEGISLATURE

DATED: OCTOBER 31, 2023

SUMMARY

- Synopsis:** Concerns prevailing wage law requirements for public institutions of higher education.
- Type of Impact:** Annual State cost increase.
- Agencies Affected:** Public institutions of higher education. Department of Labor and Workforce Development.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Cost Increase	Indeterminate

- The Office of Legislative Services (OLS) estimates that the bill may result in an indeterminate annual expenditure increase to public bodies, including institutions of higher education, from an expansion of the circumstances under which the prevailing wage is applicable.

BILL DESCRIPTION

This bill expands the circumstances under which the prevailing wage is applicable.

Under current law, the prevailing wage applies to public work, which is certain construction or maintenance work done under contract and paid for in whole or in part out of the funds of the public body. Prevailing wage is also required to be paid under certain circumstances involving construction or maintenance work on properties leased by public bodies, or when loans or grants are extended by certain State authorities.

The bill expands the applicability of the prevailing wage to include construction or maintenance work that is:

- (1) paid for in whole or in part through “take-out financing,” provided by a public body, whether directly or obtained through a lender. “Take-out financing” is a long-term loan on property from a lender used to offset or replace a short-term construction loan;

(2) performed under a contract with a for-profit or not-for-profit entity associated with the public body when the for-profit or not-for-profit entity exists for the purpose of raising or managing public or private financial support, or otherwise managing real or financial assets, on behalf of the public body, such as a not-for-profit foundation associated with a public college or university, where the construction or maintenance work is undertaken under contract with the entity associated with the public body is to be used by or for the benefit of the public body;

(3) undertaken on a project that has received financial assistance in the form of: grants; loans; loan guarantees; expenditures; investments; tax abatements, exemptions, incentives, or rebates; incentives; or other financial assistance, any of which are provided, authorized, facilitated, or administered by public bodies, or by agencies or authorities of public bodies, with certain exceptions for projects that have received financial assistance through the New Jersey Housing and Mortgage Finance Agency; or

(4) done on any property or premises, whether or not the work is paid for from public funds, if, at the time of the entering into of the contract the property or premises is under agreement to be purchased by the public body.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill may result in an indeterminate annual expenditure increase to public bodies, including institutions of higher education, from an expansion of the circumstances under which the prevailing wage is applicable.

The OLS notes there are no data available on how often less than the prevailing wage has been paid to vendors and subcontractors at construction or maintenance projects covered by prevailing wage requirements. In addition, even in cases where lower wages were paid, there is no evidence on what, if any, portion of the cost savings was passed on to the State during the bid process.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).