

--FACT SHEET--

Prevailing Wage Repeal Is a Bad Bargain for New Mexico's Economy and Taxpayers

What is Prevailing Wage? Prevailing Wage is the local minimum wage for different types of skilled construction work on government funded construction projects such as roads, bridges and schools. It includes wages, fringe benefits, and workforce training contributions. The New Mexico Public Works Minimum Wage Act applies these standards to projects funded by state or local government costing more than \$60,000.

Prevailing wage laws were first enacted by Republican legislators nearly a century ago to address the problem of shoddy workmanship on government construction projects by putting higher skilled local workers on a level playing field with lower skilled workers from out of town.

Most peer-reviewed research has concluded that prevailing wage laws result in more local hiring, increased worksite efficiency, higher workforce productivity, and fewer safety problems and cost overruns. It also shows that prevailing wage produces more local hiring, less poverty, stronger local economies, and disproportionately impacts military veterans.

For these reasons, these laws have long enjoyed broad bi-partisan support.

Impact of Prevailing Wage Repeal: A recent policy brief by leading construction industry research organization Smart Cities Preval used Economic Census data and industry standard IMPLAN modeling software to analyze the impact that repeal of prevailing wage would have on New Mexico's construction industry, taxpayers, and overall economy. This study found that:

Repealing Prevailing Wage Would NOT Save Money, but would Hurt Economy:

No Cost Savings: The overwhelming consensus of peer-reviewed research demonstrates that prevailing wage laws do NOT raise the cost of public construction because any increased spending on wages and benefits is more than offset by increased productivity from higher skilled workers and reduced spending on fuel, materials, and supervision. *Repeal would not save New Mexico any money, because it would reduce worksite productivity and increase spending on materials by more than \$170 million.*

Repeal drains \$160 million out of New Mexico's Construction Industry: National comparison of states with and without effective prevailing wage laws shows nearly 2.5% more of prevailing wage state's construction activity is performed by in-state firms. By losing a level playing field on which to compete, New Mexico construction firms would lose more than \$160 million in business to out of state firms.

Repeal would result in over a Quarter Billion in losses to the New Mexico economy: Less spending on in-state firms and lower wages for workers would ripple across all sectors of New Mexico's economy. Repealing prevailing wage would shrink New Mexico's economy by \$288 million.

Thousands of Lost jobs, More Poverty: The overall reduction in the state's economic output and investment in its construction industry would result in a permanent loss of 2,340 jobs across all sectors. Construction occupation income would decline by over \$200 million--increasing the ranks of New Mexico's working poor.

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Repeal is Bad for New Mexico Taxpayers:

Repeal means more tax dollars shipped out of state: Because prevailing wage increases rates of local hiring on public construction, repeal means more of the taxpayer dollars that fund these projects will be exported out of state.

Repeal would mean more New Mexico families on public assistance: On average, states with weak or no prevailing wage laws currently spend \$367 million MORE per year on food stamps and Earned Income Tax Credits for blue collar construction workers than states with average or strong prevailing wage laws. If New Mexico repealed its prevailing wage law, 2,500 more construction workers would qualify for food stamps, and 2,230 more would qualify for the Earned Income Tax Credit (EITC).

- **Thousands would lose their private health insurance:** An estimated 5,400 New Mexico families would lose private employer based health benefits-- forcing taxpayers to subsidize healthcare for these workers through increased reliance on Medicaid.

Repeal will Reduce Tax Revenues and Could Lead to Tax Increases: Along with job losses, declines economic activity and lower construction wages, New Mexico will lose \$7.7 million in state and local tax revenues if prevailing wage is repealed. Tax increases may be needed in order to prevent cuts to vital public services.

About Us: Smart Cities Prevail is a 501c(4) national non-profit research and educational organization specializing in the construction industry. All information presented on SmartCitiesPrevail.org is based on peer reviewed empirical studies conducted by respected academic organizations. Learn more at www.smartcitiesprevail.org, or on Facebook at www.facebook.com/smartcitiesprevail.