

Eliminating 'prevailing wage' reduces the cost of college

By Joel Peyton

Costs for everything from gas to groceries tend to rise, but some prices escalate faster than others. For example, U.S. Census data reveals construction spending on public schools and university buildings increased 213 percent during the past decade. That is twice the rate at which spending is growing for new residential construction¹.

This higher spending is due, in large part, to a Kentucky statute requiring colleges to pay "prevailing wages," artificially inflated wage rates that too often equals union instead of market-level wages². As a result, requiring prevailing wages drives up the cost of building classrooms, dormitories and student unions. These higher costs force students across Kentucky to pay higher tuition levels to complete their college education.

College presidents rightfully look for ways to save money so students can obtain the best value for their tuition dollars. Unfortunately, prevailing wage laws in Kentucky tie college presidents' hands.

Gov. Ernie Fletcher has proposed eliminating prevailing-wage requirements. Doing so would accrue large potential savings on the following construction projects included in the governor's proposed two-year budget³:

- New University of Kentucky hospital. With prevailing wage, the project would cost an estimated \$450 million. Eliminating prevailing wage would drop the cost to about \$430 million, a savings of \$20 million, or nearly 5 percent.
- Renovate Northern Kentucky University science building. Cost of \$15 million if prevailing wage required. Removing that requirement would result in savings of \$1 million, or 5 percent.



Source: Kentucky Office of the State Budget Director

- New University of Louisville health-research facility. Eliminating prevailing wage on this \$70-million project would save at least \$3 million, or 4 percent.
- Renovate Western Kentucky University academic/athletic complex. Savings in the amount of \$2 million, or 5 percent, would accrue on this \$26-million renovation.
- New Murray State University residential college. Paying market – instead of prevailing – wages would save \$1 million, or 7 percent, on this \$13-million project.

Saving \$27 million by simply paying construction workers normal market wages is an action all taxpayers and voters in Kentucky should support.

Kentucky legislators can enact these savings by removing legislation requiring universities to pay prevailing wages on public construction projects. As a result,

universities can advance higher education in Kentucky without the pain of tuition hikes or tax increases.

Joel Peyton is a research analyst for the Bluegrass Institute, Kentucky's free-market think tank.

Sources:

1. "Public/Private Partnerships Offer Innovative Opportunities for School Facilities" by Ronald D. Utt, Maryland Public Policy Institute, Aug. 2005, at www.mdpolicy.org/research/pubID.68/pub_detail.asp.
2. "An Analysis of Kentucky's prevailing wage laws and procedures" LRC, www.lrc.state.ky.us/lrcpubs/RR304.pdf
3. All budget and prevailing wage calculations are from the Kentucky Office of the State Budget Director. These college construction projects are included in Gov. Ernie Fletcher's current budget proposal.