

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: March 16, 2009
POSITION: Neutral, note concerns
SPONSOR: State Building and Construction Trades Council,
 AFL-CIO and California State Council of
 Laborers

BILL NUMBER: SB 45
AUTHOR: A. Padilla

BILL SUMMARY

This bill would make a contractor or subcontractor who willfully violates prevailing wage laws permanently ineligible from bidding or receiving a public works contract.

FISCAL SUMMARY

This bill may result in a small, but unquantifiable increase in tax revenues and revenue to the Unemployment Fund if this bill deters contractors from paying below the prevailing wage or misclassifying employees as independent contractors on public works contracts.

However, this potential increased revenue may be offset by increased costs for the Division of Labor Standards and Enforcement to litigate prolonged appeals by public works contractors attempting to overturn determinations of prevailing wage violations.

COMMENTS

The Department of Finance takes a neutral position on this bill, but notes the concern that this bill may impose an undue penalty, without achieving a significant reduction in violations of prevailing wage law. Under current law, if a contractor or subcontractor is found to be in violation of prevailing wage laws on a public works contract they are banned from these contracts for a period of one to three years and must also pay various fines and penalties, as well as back wages for affected employees. For large contractors or contractors that primarily work on public works projects, the threat of a three year ban is already a significant deterrent to assist the prevention of prevailing wage violations. Increasing the penalty may have little impact if there are no changes to enforcement activities related to prevailing wage violations.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code	
	LA	(Dollars in Thousands)								
	CO	PROP	2008-2009		2009-2010		2010-2011			
	RV	98	FC	FC	FC	FC				
7350/DIR	SO	No	----- See Fiscal Summary -----							0001

Analyst/Principal (0241) K. Shelton	Date	Program Budget Manager Todd Jerue	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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