

- SUBJECT:** Allowing certain school districts to require contractors to pay higher wages
- COMMITTEE:** Public Education — favorable, without amendment
- VOTE:** 9 ayes — Sadler, Dutton, Dunnam, Grusendorf, Hardcastle, Hochberg, Oliveira, Olivo, Smith
- 0 nays
- SENATE VOTE:** On final passage, May 3 — voice vote (Brown, Jackson, Wentworth recorded nay)
- WITNESSES:** For — Vincent Ramos, Texas LULAC
- Against — None
- On — David Anderson, Texas Education Agency
- BACKGROUND:** Government Code, ch. 2258 guarantees workers on public works projects for the state or for a political subdivision of the state the right to be paid not less than the prevailing wage rate for that work in the locality. The chapter sets out procedures for determining the prevailing wage rate.
- An attorney general's opinion in March 1999 (JC-0011) determined that while workers on these public works projects may be paid more than the prevailing wage rate, a school district is not authorized to require a contractor to pay a wage greater than the local prevailing wage.
- DIGEST:** SB 350 would allow certain school districts to require that workers employed on a public works project for the district be paid a daily wage rate that would amount annually to the federal poverty level for a family of four if the prevailing wage rate was below that amount. The bill would apply only to districts located in a county at least part of which is within 50 miles of the Texas-Mexico border.
- A school district would have to specify that it would require this wage rate in the call for bids and in the contract itself. Contractors who failed to pay

the specified wage to their workers would be liable to the district for a penalty in an amount specified in the contract, but no more than \$60 per worker per day.

The bill would take effect September 1, 2001, and would apply only to wage rates paid under a contract entered into on or after that date.

**SUPPORTERS
SAY:**

SB 350 would help workers along the Texas-Mexico border obtain a fair wage by allowing school districts to require contractors to pay their employees a wage equal to the federal poverty level on projects for the district, if the prevailing wage in the area was below the poverty level. Workers in the border region face some of the worst employment conditions in the state, including high unemployment levels and a dearth of jobs that pay more than the minimum wage. Wages on the border are so low that the median family income is only half of the state average. Many difficult full-time jobs do not pay enough to keep a family of four above the federal poverty level, forcing many of these families to rely on public assistance to make ends meet. This bill would ensure that employees of school district contractors were paid a wage at least at the federal poverty level.

State law requires that workers on public works projects be paid a prevailing wage to protect workers from unfairly low wages. Across most of the state, this prevailing wage is high enough to ensure a decent income. On the border, however, the prevailing wage is below the poverty level. It is not fair to use the prevailing wage standard in the border region when it results in poverty-level wages.

The bill would target construction contract laborers because the explosive growth of school districts in the border region and consequent construction have created an opportunity for these districts to influence wages and prices in the construction industry. About 70 percent of construction contract laborers in the border region earn \$6 an hour or less. School districts already have expressed an interest in requiring their contractors to pay higher wages, an interest that was closed off by an unfavorable attorney general's opinion determining that school districts do not have this authority. These districts recognize that students who grow up in homes with incomes below the poverty level are less likely to succeed in school and that raising the educational abilities of their students requires not only a good education

system but also families capable of supporting their children.

By raising the incomes of some families to the poverty level, SB 350 also would reduce dependence on public assistance programs, saving the state money. The bill would raise wages only to the poverty level. School districts could not require contractors to pay a higher wage than that.

SB 350 would be permissive and would not require any school district to require its contractors to pay a poverty-level wage. School districts that could not afford the increased cost or that had other educational priorities would not have to require contractors to pay this wage. Nor would these districts face pressure to require paying these higher wages to the detriment of their educational responsibilities, as most community members typically place the highest priority on education. However, if school districts believe that they can do this and want to, they should have the option.

This bill would not harm contractors. Contractors would be informed of the wage requirements in the request for bids and could compensate for any increased costs or administration through their bids. Authorizing higher wages also would enable contractors to attract high-quality labor, most of which now moves out of the area to find better wages. The concern that contractors would face increased administrative burdens to track each employee's work on a project is unfounded, as most contractors complete a project before moving on to the next one.

**OPPONENTS
SAY:**

SB 350 would increase costs for school districts, which would be pressured to require contractors to pay their employees higher wages under this bill. School districts, especially property-poor districts along the border, generally cannot afford to pay contractors the increased cost that would be required for a contractor to pay its employees higher wages. If school districts do have this extra money, they ought to use it for students' education, such as for teacher salaries or science lab supplies.

This bill would be very difficult to implement for contractors who received contracts under its provisions. Many contractor employees work on several different projects, sometimes changing projects from day to day according to the employer's need for workers at a particular location. Since it is likely that only a few of a contractor's projects would require the higher wage

allowed by the bill, a contractor would have to track each employee closely and the projects those employees worked on each day to determine how much to pay each employee. This would create an enormous administrative burden on these contractors.

SB 350 would fail to address the root of the problem. Workers who are paid the minimum wage typically are low-skilled laborers. The state should focus its efforts on providing training and education for these workers rather than providing a superficial fix.