



School Building Authority of West Virginia

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School Building Authority of West Virginia Analysis of Project Costs and Wage Rates Pre and Post Prevailing Wage Repeal March, 2017

The School Building Authority of West Virginia (SBA) was established by the WV Legislature in 1989 in order to ensure effective and efficient use of state funding for school construction and improvements. In efforts to ensure that our construction fund dollars are being spent efficiently, the SBA continually tracks the cost per square foot of our projects. During the School Building Authority's House Finance Committee Budget Hearing on Wednesday, March 8, 2017, questions were asked about the effect that the repeal of prevailing wage has had on our projects. This report outlines the costs per square foot of new facility construction projects both pre and post prevailing wage repeal. As stated in the budget hearing on March 8, since the repeal in 2015, the SBA has only received bids on a small number of projects. Therefore, this data is limited in comparison to that prior to the repeal.

Attached, you will find two spreadsheets. The first is a comparison square foot construction costs of projects that were bid during a five year period from 2011 through the early spring of 2015 which included prevailing wage and the four new construction projects that have been bid from July 2015 to the present, since the repeal of prevailing wage. The second spreadsheet is a comparison of the average posted prevailing wage rates across West Virginia for specific labor classifications prior to the 2015 repeal and the average wage being paid to those classifications as being reported on certified payroll documentation.

As indicated above, the first spreadsheet shows the total cost per square foot of each project. The costs shown are based on the bids received and soft costs (professional services, misc. expenses etc.) associated with the project at the time of bid. This would reflect raw costs of the project and do not include things, such as change orders, as change order costs are not acquired in the competitive bid environment and tend to be inflated when compared to traditional bid costs. Therefore, this comparison represents labor and material costs with associated contractor overhead and profit.

It is important to note that construction bids are highly dependent on a number of factors which include things such as work load in the construction market, time of year that bids are received, and the scale of the project being bid. Projects under 50,000 square feet tend to cost substantially more than those above 50,000. For example, Oakvale Elementary School is a 25,000 square foot facility housing approximately 140 students. As you can see in the spreadsheet, this facility cost \$285.68 per square foot to construct, well above the \$251.98 average. Likewise, the site location and availability of sufficient utility infrastructure can have a substantial impact on cost as shown in the cost of Edgewood Elementary School. Due to the remote location of the site, 2 acres of forest had to be cleared, three-quarters of a mile of access road had to be constructed and utilities extended to the facility. This drove the cost of that facility over \$400 per square foot. With these challenges, the average cost for construction on projects prior to the repeal of prevailing wage was \$251.98. As mentioned previously, information on projects after the wage repeal has been limited. However, we have bid four new schools during this time. Our records indicate that the average cost per project is \$255.11 per square foot. As with the projects prior to the wage repeal, two of

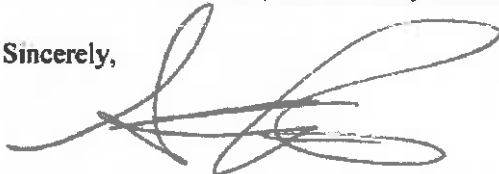
these projects had extenuating site issues that had an impact on the overall cost of those projects. Credo Kenova Elementary had a large utility line located some twenty feet below grade that had to be relocated from beneath the new building and the new Raleigh County Elementary School had a remote hill top site to which an access road and utilities had to be extended.

The second spreadsheet shows a comparison of an average of prevailing wages from the various regions of the state in which projects have been bid, prior to the repeal of prevailing wage and those wages reported on certified payroll documents for the on recent SBA projects in those respective areas, after the repeal. These wages are indicative of those paid to the employees within those regions of the state during the construction of the project and are not affected by the size or complexity of the project in the same manner the overall bid amounts can be affected. As you can see from the comparison, the wages paid to the employee post repeal are lower than those paid prior to the repeal. These differences are pretty dramatic depending on the classification of the employee. For example, a window glazier is paid on average \$3.37 lower per hour after the wage repeal, while a plumber/pipe fitter is paid on average \$22.54 an hour lower.

Based on the information available to the School Building Authority at this time, it appears that the certified payroll documents indicate a savings in wages paid to the worker. However, the overall cost of school construction does not reflect a reduction of overall construction costs on SBA projects at this time. At this time the SBA is not realizing an overall savings that would allow for the construction of "five new schools for the price of three" as some have previously claimed. However, as with all other areas of construction, the SBA will continue to monitor these costs as long as payroll information is received on publicly funded construction projects. Should a savings begin to be realized in the future, the SBA will adjust our funding formula to reflect the realized savings, which would allow for more construction projects to be funded by the SBA.

I hope this information has answered any concerns of the members of the House Finance Committee. Should anyone have any additional requests, please feel free to contact our office.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Raines", written over a horizontal line.

Mr. Scott Raines, Director
School Planning and Construction

School Building Authority Project Hourly Wage Rate Costs History

Labor Classification	Prevailing Wage Hourly Rate (2015)	Non- Prevailing Wage Hourly Rate	Hourly Rate Differential
Laborer	\$ 21.21	\$ 15.33	\$ 5.88
Carpenter	\$ 27.33	\$ 19.86	\$ 7.47
Electrician	\$ 30.14	\$ 24.14	\$ 6.00
Glazier	\$ 30.00	\$ 26.63	\$ 3.37
Steel Erector	\$ 28.60	\$ 15.61	\$ 12.99
Sheet Metal Worker	\$ 27.36	\$ 14.00	\$ 13.36
Equipment Operator	\$ 35.16	\$ 24.00	\$ 11.16
Concrete/Cement Finisher	\$ 25.53	\$ 17.50	\$ 8.03
Plumber/Pipe Fitter	\$ 36.54	\$ 14.00	\$ 22.54