

Legislature Repeals Prevailing Wage Law

June 18, 2018

The Michigan House of Representatives has taken the final step to repeal the Prevailing Wage Law.

The House voted on June 6, 2018, to adopt Initiated Law 2 of 2018, which provides for the repeal of Act 166, Public Acts of Michigan, 1965, commonly referred to as the Prevailing Wage Law. The House's action was the final step needed to repeal the Prevailing Wage Law, as the Michigan Senate had voted earlier in the day to approve the repeal. The legislature also granted the repeal immediate effect. Although Gov. Rick Snyder opposed the repeal, his approval is not required and there is no veto power over the repeal because the legislation originated from an initiative petition.

The Prevailing Wage Law required construction workers be paid wages and fringe benefits that were commensurate with the wages and fringe benefits paid to other construction workers working in the same locality on similar contracts when working on projects that were sponsored or financed, in whole or in part, by the State of Michigan. Because similar contracts were often governed by collective bargaining agreements or other understandings regarding wages, the construction workers working on state-sponsored contracts would often be paid higher wages and fringe benefits than they would have without the Prevailing Wage Law. Now that the law is repealed, this prevailing wage requirement no longer applies. This repeal, however, does not affect current construction contracts entered into prior to the repeal or any prevailing wage requirements adopted by local units of government.

Previously, in order to implement the Prevailing Wage Law, the Department of Licensing and Regulatory Affairs prepared a schedule of wage and fringe benefit rates in various localities. Contractors were required to attach a schedule of the applicable rates to bidding forms for state-sponsored contracts and were also required to post these rates on the job site. With the repeal, contractors will no longer be required to do so, and municipalities and other local units should be aware of this change when reviewing future construction bids. For example, projects financed through the School Bond Loan Fund, State Revolving Fund, Drinking Water Revolving Fund, or other state funding sources are no longer required to satisfy prevailing wage requirements. The Davis-Bacon Act, Pub. L. 71-798, however, is still in effect, meaning construction workers on certain federally funded public works projects must still be paid the prevailing wage mandated under this federal law.

Governmental units with current competitive bids outstanding may want to consider amending the request for bids to remove the prevailing wage requirement.

For more information about these changes to the law, please contact any of the authors or your Miller Canfield attorney.