

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 1571 and 1576

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: FEBRUARY 22, 2021

SUMMARY

Synopsis: Imposes prevailing wage for public work on properties receiving tax abatements or exemptions.

Type of Impact: Annual increase in expenditures to State and local government.

Agencies Affected: Various State agencies; local governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase	Indeterminate
Local Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) notes that enactment of the bill may result in an indeterminate annual increase in State and local government expenditures by broadening the definition of what constitutes a public work and is to be subject to prevailing wage requirements. This expanded definition would increase the cost of construction and other public work contracts entered into by the State and local governments.

BILL DESCRIPTION

This bill makes subject to the prevailing wage requirement any public work done on a property for which a public body provides, approves or authorizes a tax abatement or exemption unless the property is exempt, like in the case of a nonprofit organization, and is not subject to the statutory provisions concerning public works of the New Jersey Economic Development Authority or the Casino Reinvestment Development Authority.

Additionally, the bill expands the definition of public work to include projects in which not less than 35 percent of the property is leased by a public body, a reduction from 55 percent under current law. The bill maintains the 20,000 square foot threshold in the definition of public work project.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS notes that enactment of the bill may result in an indeterminate annual increase in State and local government expenditures by broadening the definition of what constitutes a public work and is to be subject to prevailing wage requirements. Under current law, prevailing wage requirements apply to public works where the public body leases at least 55 percent of the property space and that space is more than 20,000 square feet. This bill reduces the amount of space that needs to be leased by a public body to constitute a public work to 35 percent from 55 percent while maintaining the square footage requirement. The bill also expands the definition of public work to include any public work done on a property that is provided a tax abatement or exemption, subject to certain exceptions. The expanded definition would increase the cost of construction and other public work contracts entered into by the State and local governments.

Although the OLS lacks sufficient information to estimate the impact of the bill, it is worth noting that according to the Division of Property Management and Construction in the Department of the Treasury, as of July 2012, the State had 291 leases in New Jersey comprising approximately 7.6 million square feet of office space and 1.9 million square feet for other State uses.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).