Testimony on Senate Bill 571

My name is Michael LaFaive, and I am senior director of fiscal policy at the Mackinac Center for Public Policy. Thank you for allowing me to testify today.

I testify in opposition to SB 571 today for three reasons. Prevailing wage mandates make for poor economic policy. Such laws are fundamentally unfair and this particular bill extends the idea of prevailing wage laws to solar and wind projects that may be fully funded by the private sector.

In Economics 101 we are taught that everything has a cost. Evidence demonstrates that conventional prevailing wage laws force Michigan taxpayers to pay more for goods and services when funded by the state.

For example, a 2023 statistical analysis performed by economist Michael Hicks showed that from 2004 through 2019, prevailing wage laws raised the cost of quality-adjusted road construction by between 8.5% and 14.3%. For Michigan, that translated to between $5,900 and $9,200 per mile. Hicks also found no compelling evidence that prevailing wage laws reduce the share of income and benefits that flow to labor.

Wind and solar aren't roads, obviously, but the economics are the same insofar as they rob many taxpaying Peters to pay a handful of union-shop Pauls. This is not just fundamentally unfair to those who pay governments' bills, but to the many non-union workers who might otherwise do this work.

A problem with Senate Bill 571 that is perhaps more troubling is that the bill covers solar or wind energy projects that are not state financed in any way. This goes beyond conventional prevailing wage mandates by effectively mandating higher minimum wages on a particular industry for projects not underwritten by the state.

Prevailing wage harms taxpayers by forcing them to pay more money for equal service. I urge you to instead focus on policies that promote competition and efficient use of taxpayer dollars.

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