



## House Bill 108

### *Capital Budget – Construction Projects – Apprenticeship Requirements*

MACo Position: **OPPOSE**

To: Health and Government Operations

Date: February 3, 2016

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The Maryland Association of Counties (MACo) **OPPOSES** HB 108. This legislation creates apprenticeship requirements for any project that receives \$100,000 or more in the state capital budget. The legislation expands existing apprenticeships requirements for school construction projects and other public works projects.

#### *The State Has Strict Labor Laws for School Construction Projects*

Under current law,

A school construction project is subject to the prevailing wage if:

- a. The project totals more than \$500,000, and
- b. The project receives at least 25% state funding.

Any other public works project is subject to the prevailing wage if:

- a. The project totals more than \$500,000, and
- b. The project receives at least 50% state funding.

#### *HB 108 Expands School Construction Labor Laws*

Prevailing wage school construction projects already must comply with apprenticeship requirements similar to or the same as those stated in HB 108. Under this legislation, apprenticeship requirements are extended to school construction projects with total costs of less than \$500,000, and to projects that receive less than 25% of state funding. For any project that receives \$100,000 in state funding, the apprenticeship requirements apply.

Extending apprenticeship requirements to projects smaller than \$500,000 could reduce the number of small contractors who are able to perform those small contracts. A job with \$100,000 State participation in the world of school construction is very small, and therefore would be ideal for the small contractor. Small contractors, however, have minimal office back-up to handle the administrative burden of additional regulation and are often working to a very narrow margin,

leaving little ability to afford penalties for non-compliance. If contractors do withdraw from bidding because of this requirement, it would tend to reduce competition and drive up costs.

With regard to the effect on larger projects, while many school construction projects that total \$500,000 or more receive more than 25% state funding, this is not always the case. In approximately half of Maryland's counties, state support often falls below that amount.

This is because despite funding formulas dictating a 50-60% state share of school construction in those counties, there are many portions of the project that are not eligible for state funding. Property for the school building, architectural and engineering fees, and all interior furnishings (including computers) are not eligible for state funding. Under current law, when the county receives less than 25% state participation in a project, neither prevailing wage nor the apprenticeship requirements apply.

### ***HB 108 Could Increase School Construction Costs***

In recent years, the school construction industry has been subject to additional labor and environmental regulations. These regulations have the effect of directly increasing labor costs, and of discouraging small contractors from the construction market. Fewer bidders on school construction projects lead to a lack of competition and further cost increases.

The apprenticeship requirements in this legislation could discourage small contractors from bidding on small projects. The legislation would require each contractor or subcontractor that performs work on a capital construction project that receives at least \$100,000 from the State's capital budget to use apprentices or to pay a fee on a monthly basis. Fee payments to the State Apprenticeship Training Fund or another fund may not exceed 25 cents per hour for each of the contractor's or subcontractor's employees on the project. If a contractor or subcontractor makes payments less than those required, the contractor must pay the difference to the fund.

Because this legislation creates new and potentially costly regulation of school construction, an industry that has already been legislated by additional prevailing wage and apprenticeship laws, MACo requests the Committee give an **UNFAVORABLE** report to HB 108.