



House Bill 721

Prevailing Wage Rates Reform Act of 2016

MACo Position: **OPPOSE**

Date: March 4, 2016

To: Economic Matters Committee

From: Robin Clark Eilenberg, Esq.
& Michael Sanderson

The Maryland Association of Counties (MACo) **OPPOSES** HB 721. This legislation expands prevailing wage laws applicable to school construction projects in Maryland and other public works projects.

A recent update to statewide prevailing wage laws created stricter, more inclusive laws for school construction projects. While most public works projects are subject to the prevailing wage if they receive at least 50% state funding, school construction projects are subject to the prevailing wage if they receive 25% state funding. This change, enacted by the General Assembly in 2014, results in many more school construction projects falling under prevailing wage mandates.

As a result of the 2014 expansion of school construction prevailing wage laws, costs of school construction have increased. According to the Interagency Committee on School Construction's Report to the capital Debt Affordability Committee in September, 2015:

Based on a sample of 262 side-by-side bids (i.e., both with and without prevailing wage rates) between January 2012 and March 2015, the average cost increase attributable to prevailing wage rates was 11.65%. The sample included 67 separate trade packages at 25 school construction projects in four LEAs [local educational agencies]. For mechanical systems, the average increase attributable to prevailing wage rates was 13.21% (31 bids on seven separate packages). For roofing, the average increase was 9.01% (83 bids on 17 separate packages).

Prevailing wage laws, expanded through Chapter 282 of 2014 to include more school construction projects, are leading to increased costs in school construction. These increased costs are coming at a time when our State needs more funding for school construction. Maryland needs to maintain its aging stock of schools, expand school capacity in areas of increasing student enrollment, and provide updated classroom environments to accommodate new curriculum and provide access to technology. From year-to-year, millions of dollars in school construction requests are unfulfilled due to a lack of state and local funding.

The provisions of HB 721 include lowering the threshold of prevailing wage application to \$25,000 – meaning even many of the smallest projects would trigger this comprehensive and costly state law. This change would be likely to directly increase the costs of school construction and reduce the number of small contractors who bid on these projects. Cost increases in school construction reduce the state and local ability to keep pace with education needs and to provide safe and healthy learning environments for Maryland's school children.

For these reasons, MACo requests the Committee give an **UNFAVORABLE** report to HB 721.