



House Bill 727

Procurement – Prevailing Wage - Applicability

MACo Position: **OPPOSE**

To: Finance Committee

Date: March 27, 2014

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** House Bill 727 as amended. This bill would impose prevailing wage requirements on a greater number of school construction projects, increasing project costs and affecting the number of projects budgeted each year.

Currently, State prevailing wage laws apply only if at least 50% of the project costs are State-supported. As amended, HB 727 lowers this threshold for school construction projects to require prevailing wage rates to be paid for a project receiving 25% or more State funds.

MACo is concerned that this new requirement would significantly undermine a local government's ability to fund and manage its capital budget, especially those smaller in size and in more rural areas of the state. The Task Force to Study the Applicability of the Maryland Prevailing Wage Law has examined prevailing wage policies and has focused its discussions on school construction projects. Data shared with the Task Force suggests that school construction projects bid with prevailing wage have an average cost increase ranging from 3% to 30% depending on the type of project. The cost differential for a recent project bid in Frederick County was 13%. When you look at all projects as a whole, the average cost increase when comparing bid day data for projects bid with and without prevailing wage is 10.6%. Imposing a State-mandated cost increase on primarily locally funded projects reduces their affordability, and means fewer such projects can be supported.

Further, most local governments do not have the same overall presence in the marketplace to affect competitive wages, and with the weak economy and State cost shifts of recent years, many have significantly reduced their capital budgets. Placing new prevailing wage mandates on local governments would further limit the number of projects funded each year by increasing project costs and limiting local flexibility.

This bill would also affect the State's ability to extend funding for school construction projects. As described in the Report of the Capital Debt Affordability Committee on

Recommended Debt Authorizations for Fiscal Year 2015, the escalation in building costs over the past ten years has hampered the State's efforts to bring all public schools up to minimum standards and school construction needs continue to exceed the anticipated level of State funding. Both the statutory debt limitations and the inability of the current state property tax rate to fund ongoing debt service make this restraint immediately relevant. Policies increasing the cost of capital projects cannot simply be "rolled into" a larger capital budget. Inevitably, project cost inflation means that more much-needed school projects will be denied funding altogether.

For these reasons, MACo **OPPOSES** HB 727 as amended and urges the Committee to give the bill an **UNFAVORABLE** report.