MARYLAND Association of COUNTIES

Senate Bill 204

Prevailing Wage Rates Reform Act of 2014

MACo Position: **OPPOSE**

To: Finance Committee

Date: February 27, 2014

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** SB 204. This bill would substantially expand the applicability of the State's prevailing wage law to apply to all local government public works projects regardless of whether State dollars are received. The bill also lowers the dollar threshold for a project to $25,000 and expands the calculation of the prevailing wage to include combined hourly wages and fringe benefits.

Currently, State prevailing wage laws apply to local governments only if at least 50% of the project costs are State-supported. SB 204 substantially expands the application of the prevailing wage law by removing this threshold and including projects funded solely by local governments, increasing project costs and affecting the number of projects budgeted each year.

This "one size fits all" prevailing wage determination 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. Although the Task Force to Study the Applicability of the Maryland Prevailing Wage Law focused its discussions primarily on school construction projects, the cost data is relevant to this discussion. Data shared with the Task Force comparing bid day data suggests that school construction projects bid with prevailing wage have an average cost increase of 10.6%. This indicates that counties would see similar cost increases in bid day data for other types of public works projects. However, bid day costs could be higher under SB 204 since the calculation of the prevailing wage is being expanded to include combined hourly wages and fringe benefits. Imposing a State-mandated cost increase on locally funded projects or those funded with a majority of local funds, 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, overly broad 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 additional funding for capital projects. 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 projects will be denied funding altogether.

For these reasons, MACo **OPPOSES** SB 204 and urges the Committee to give the bill an **UNFAVORABLE** report.