



MACo Position Statement

Task Force to Study the Applicability of the Maryland Prevailing Wage Law

February 24, 2014

The Maryland Association of Counties (MACo) **OPPOSES** SB 204 and SB 232. SB 204 substantially broadens the applicability of the State's prevailing wage law to apply to all local governments regardless of the amount of State dollars 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. SB 232 would require prevailing wage rates to be paid for a local public works project receiving any amount of State funds, if the dollar amount of the project is \$500,000 or greater.

Currently, State prevailing wage laws apply only if at least 50% of the project costs are State-supported. Both of these bills substantially expand the application of the prevailing wage law, increasing project costs and affecting the number of projects budgeted each year.

While each bill offers a different approach, they propose a "one size fits all" prevailing wage determination, which 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 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%. Local governments receive State support in varying amounts for a number of public works projects, including school construction, transportation, jails, and recreation facilities. 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, 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.

Both bills 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** expanding the prevailing wage law to apply to all local jurisdictions or lowering the threshold for the percentage of State funding that triggers whether the prevailing wage applies.