

**BILL:** House Bill 721  
**TITLE:** Prevailing Wage Rates Reform Act of 2016  
**DATE:** March 4, 2016  
**POSITION:** OPPOSE  
**COMMITTEE:** Economic Matters Committee  
**CONTACT:** John R. Woolums, Esq.

The Maryland Association of Boards of Education (MABE), representing all of the State's local boards of education, opposes House Bill 721, which would dramatically expand the application of prevailing wage rates to school construction, renovation, and maintenance projects.

State policy regarding prevailing wage and school construction shifted in 2000 when the General Assembly enacted legislation to lower the percentage of State funding triggering prevailing wage requirements from 75 percent to 50 percent. Following 2000, the 50 percent threshold resulted in dramatically increased project costs for many school systems and unnecessarily diluted the benefit of the State and local investment in public school construction during these years. In 2014 the legislature again lowered the threshold of state funding mandating prevailing wage from 50 percent to 25 percent.

This legislation would further expand the scope and increased costs associated with prevailing wage rate requirements by changing the method for calculating wage rates; and by applying these significantly higher wage rates to very small projects; reducing the cost threshold from \$500,000 to \$25,000.

For many years now, local boards of education have bid construction projects both as prevailing wage and non-prevailing wage projects. These bids provide convincing evidence of cost savings under the non-prevailing wage rates. A very recent report by the Maryland Public School Construction Program (PSCP) confirms the high cost of prevailing wage:

***“There is incontrovertible evidence that prevailing wage rates increase construction costs. The PSCP has examined 262 trade package and small project bids that were solicited both with and without prevailing wage rates, and finds that prevailing wage rates increase bid costs by an average of 11.65%. These side-by-side bids are taken at the same time, for the same scope of work, and are submitted by the same contractors; all factors are therefore the same except for the labor rates.” (Citation on reverse)***

MABE and the local boards we represent greatly appreciate the fact that the General Assembly and Governor consistently strive to sustain robust funding for school facilities projects benefiting students in each of the twenty-four school systems. MABE also firmly believes that providing reasonable thresholds of significant state funding triggering prevailing wage requirements would provide an important boost to State and local efforts to address these school facility needs.

For these reasons, MABE requests an unfavorable report on House Bill 721.

Citation:

THE COST OF SCHOOL CONSTRUCTION: A Comparison of the Monarch Global Academy and Conventional School Facilities, Report to Governor Larry Hogan and the Board of Public Works Interagency Committee on School Construction, October 28, 2015 (p. 34).

Link: <http://www.pscp.state.md.us/Reports/Monarch%20Final%20Report%2010-28-15.pdf>