

**BILL:** Senate Bill 40  
**TITLE:** Procurement - Prevailing Wage - Modifications  
**DATE:** January 31, 2019  
**POSITION:** SUPPORT  
**COMMITTEE:** Finance Committee  
**CONTACT:** John R. Woolums, Esq.

The Maryland Association of Boards of Education (MABE) supports Senate Bill 40, which would provide reasonable and much needed relief from the costly burden of complying with prevailing wage requirements on nearly all school construction and major renovation projects.

MABE supports each of this bill's three major components to provide a reasonable, regional, approach to requiring the application of prevailing wage rules to school construction projects, including:

- Exempting from the State's prevailing wage requirements any school construction project located in a county that does not receive an adjustment to its State education aid under the Geographic Cost of Education Index (GCEI);
- Exempting school construction projects in counties that do receive a GCEI adjustment from the prevailing wage requirements if they receive less than 50% of total construction funding from the State; and
- Authorizing the Commissioner of Labor and Industry to develop prevailing wage rates for specified regions of the State instead of by county.

State policy regarding prevailing wage and school construction first 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.

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 2015 report by the Maryland Public School Construction Program (PSCP) confirmed 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 regional adjustments and 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 a favorable report on Senate Bill 40.

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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>