



Maryland Chamber of Commerce

Legislative Position

**SB 462
SUPPORT**

**Finance
Committee**

2/26/09

SB 462

Procurement – Prevailing Wage – School Construction

Bill Summary: This bill would require that 75% or more of a school construction project must be funded by State sources in order for the prevailing wage law to apply.

Chamber Position: The Maryland Chamber of Commerce supports this bill. The purpose of the competitive bidding process is to receive the best service at the lowest price. The prevailing wage law undermines the competitive bidding process by requiring projects using state funds to pay a higher labor price than would be required through market based competitive bidding.

Although studies by the Department of Legislative Services in 1989 and 1995 determined that the prevailing wage law inflated the cost of public works projects by 5 to 15%, the fiscal note on this bill is more cautious in its analysis due to the depressed state of the construction sector. Nonetheless, if the prevailing wage law has little effect on labor costs, it annually wastes \$750,000 in state enforcement funds. If the law increases the cost of wage rates, as many studies have shown, it depletes valuable state capital funds and causes fewer schools to be built.

The Task Force to Study Public School Facilities (2004) studied the issue of the prevailing wage law and recommended on page 50 that the General Assembly consider removing public school construction projects from the prevailing wage law. They noted that:

“This would reduce the cost of school construction projects for the State and local governments, and thus allow limited school construction dollars to fund more projects. To the extent that prevailing wage continues to apply to school construction projects, the task force supports raising the minimum construction threshold [\$500,000] to reflect inflation...”

At a time when Maryland needs to build more schools, this bill would allow the state and local governments to stretch their construction dollars.

For these reasons, the Maryland Chamber urges that this bill be given a favorable report.

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