

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 552
Finance

(Senator Exum, *et al.*)

Public Work Contracts - Apprenticeship Programs

This bill requires a contractor or subcontractor on a public works contract subject to the Prevailing Wage Law to have, or be a member of an association that has, an approved and registered apprenticeship program in place at least six months before submitting a bid or proposal for the contract. The contractor or subcontractor must also hire State-registered apprentices at a ratio of one apprentice for every three journey persons.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: Potential minimal general and special fund expenditure increases for State construction projects.

Local Effect: Potential minimal expenditure increases for some school construction projects.

Small Business Effect: Meaningful. Small businesses are the least likely to have registered apprenticeship programs, and if they are not members of an association with an apprenticeship program they will be unable to bid on State construction contracts. According to the 1998 Survey of U.S. Business by the U.S. Census Department, 96.5% of Maryland firms in the construction industry have fewer than 50 employees.

Analysis

Current Law: There is no requirement that apprentices be used on all public works projects or that contractors bidding on public works projects have approved apprenticeship programs. On construction projects subject to the Prevailing Wage Law or the federal Davis-Bacon Act, apprentices are used in the ratio of one apprentice to each three journey persons. The Prevailing Wage Law applies to all public works projects over \$500,000 when 50% or more of the money used for construction is provided by the State.

Under current regulations the Apprenticeship and Training Council requires an apprenticeship program to have an organized, written plan that includes terms and conditions of employment, training, and supervision. The program must also have: (1) an equal opportunity pledge; (2) a minimum of 144 hours of training for each year of apprenticeship; (3) a progressively increasing scale of wages for apprentices; (4) a ratio of three journey persons regularly employed for each apprentice employed consistent with requirements for proper training, supervision, and applicable provisions in collective bargaining agreements; (5) a probationary period for the apprenticeship; and (6) a minimum age of 16 for an individual to enter an apprenticeship agreement. The program must provide: (1) periodic review and evaluation of an apprentice's progress; (2) safe equipment and facilities and safety training to apprentices; and (3) credit for previous work experience or training.

State and Local Fiscal Effect: The Maryland Department of Transportation (MDOT) advises that expenditures could increase minimally for public works contracts as a result of the bill's provisions.

The Department of General Services (DGS) advises that requiring the use of apprentices increases project costs, with the size of the increase inversely related to the size of the project.

Both MDOT and DGS advise that the need for an approved apprenticeship program to be in place six months prior to bidding on a contract may result in a reduction in the number of bidders for a contract, which could increase the cost.

The Department of Labor, Licensing, and Regulation advises that to handle the increase in registrations of, and approvals for, apprenticeship programs, general fund expenditures would increase by \$97,705 in fiscal 2004. This estimate reflects wages and benefits for two new administrative positions and operating expenses.

Legislative Services advises that there will be a minimal increase in general and special fund expenditures for certain construction costs, and no increase in expenditures for administration of the apprenticeship requirement for the following reasons:

- Projects subject to the Prevailing Wage Law are large; based upon DGS estimates the increase in total project costs would be a small, and could be lower than 1%.
- On some large projects apprentices may already be utilized, and other project contracts require on-the-job training, thus requiring the use of apprentices would not increase costs on all projects. In addition, because apprentices may be paid less than the prevailing wage, the cost of supervising the apprentice (the increase in journey person time) would be partially offset.
- Any reduction in the number of bidders would be temporary, until contract bidders have in place apprenticeship programs or become members of associations with apprenticeship programs.
- Because potential contractors can become members of associations with apprenticeship programs rather than develop their own programs, there should not be a large increase in the number of programs seeking registration and approval. Over time there may be more programs seeking approval, but initially the most cost-effective method for a contractor to meet the requirement is to join an association with an apprenticeship program.

If there were an increase in expenditures for contracts for school construction projects subject to the Prevailing Wage Law, a portion of the increase would be borne by the appropriate local jurisdiction.

The State Treasurer's Office and the Department of Public Safety and Correctional Services did not respond to requests for information.

Additional Information

Prior Introductions: In 2002, SB 405, a similar bill, received an unfavorable report from the Finance Committee.

Cross File: None.

Information Source(s): Department of General Services; Board of Public Works; University System of Maryland; Department of Transportation; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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