

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1155
Economic Matters

(Delegate Manno, *et al.*)

State-Funded Construction Projects - Apprentices

This bill requires all construction contractors who work on projects that receive any State funds to have approved and registered apprenticeship programs and to hire one registered apprentice for every three journeymen.

Fiscal Summary

State Effect: Potential decrease in State expenditures (all funds) for construction contracts to the extent that apprentice wages are lower than journeyman wages. Increased use of apprentices could affect project completion and quality.

Local Effect: Potential decrease in local expenditures (all funds) on construction contracts for projects that receive State funds, to the extent that apprentice wages are lower than journeyman wages. Increased use of apprentices could affect project completion and quality.

Small Business Effect: Meaningful. Small businesses that do not have approved and registered apprenticeship programs will be excluded from bidding on State and local construction contracts.

Analysis

Bill Summary: The bill applies to projects that receive funds from any entity created by the General Assembly that engages in, oversees, manages, or has authority over construction projects.

Apprenticeship programs must be approved by the Apprenticeship and Training Council within the Department of Labor, Licensing, and Regulation.

Current Law: State law does not currently require contractors to have approved and registered apprenticeship programs or to hire apprentices to work on State-funded projects.

The Apprenticeship and Training Council consists of 12 members appointed by the Governor to formulate policies and standards for apprenticeship programs. The members include five representatives of employers, four representatives of employee organizations, one employee, and two members of the general public. All apprenticeship programs in the State must be approved by the council.

Background: As of October 2007, there were 507 registered apprenticeship program sponsors, 3,061 participating employers, and 10,191 registered apprentices; 82% of registered apprenticeships were in construction.

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system's wealth and ability to pay. The State also pays at least 50% of total project costs for locally operated community colleges and 75% for regional community colleges. Therefore all school construction and community college projects would be covered by the bill's provisions, as would all local construction projects that receive State capital or PAYGO funds.

In fiscal 2008, the State provided \$747 million for local capital projects. The Governor's fiscal 2009 *Capital Improvement Program* (CIP) includes \$327.4 million for the Public School Construction Program in fiscal 2009 and approximately \$250 million annually in fiscal 2010 through 2013. The Community College Construction Grant Program for locally operated community colleges receives \$81 million in fiscal 2009 and \$80 million annually in fiscal 2010 through 2013 in the five-year CIP. CIP also includes \$68.5 million for miscellaneous local projects in fiscal 2009, and an additional \$171.5 million over fiscal 2010 through 2013. In addition, numerous local projects are funded through State grant and loan programs in the State operating and capital budgets.

State Fiscal Effect: Assuming that an apprentice earns lower wages than a journeyman, the bill could reduce the cost of State construction contracts awarded after October 1, 2008. The extent of the savings depends on the gap between the two wage rates and the seniority of journeymen who work on State construction projects. Those savings could be offset somewhat by longer completion schedules and inferior quality of finished products stemming from the inexperience of apprentices.

Given the large number of employers who participate in registered apprenticeship programs, Legislative Services does not believe that the bill will have a noticeable effect on competition for State construction contracts. The cost of smaller projects could increase somewhat to the extent small contractors do not meet the bill's requirements and are excluded from bidding, reducing competition in the bidding process.

Local Fiscal Effect: Assuming that an apprentice earns lower wages than a journeyman, the bill could reduce the cost of local construction contracts receiving State funds. The extent of the savings depends on the gap between the two wage rates and the seniority of journeymen who work on local construction projects. Those savings could be offset somewhat by longer completion schedules and inferior quality of finished products stemming from the inexperience of apprentices.

Given the large number of participating employers, Legislative Services does not believe that the bill will have a noticeable effect on competition for school or other local construction contracts. The cost of smaller projects could increase somewhat to the extent small contractors do not meet the bill's requirements and are excluded from bidding, reducing competition in the bidding process.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Board of Public Works, Department of Legislative Services

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