

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 759 (Delegate Kach, et al.)
Economic Matters

Prevailing Wage Law - Exemption for Construction of Correctional Facilities

This bill exempts a public works contract for a correctional facility from the requirements of Maryland's prevailing wage law.

Fiscal Summary

State Effect: In FY 1997, general fund expenditures could decrease by \$1.34 to \$4.02 million and special fund expenditures could decrease by \$0.75 to \$0.22 million. Revenues would not be affected. Future year expenditure reductions are indeterminate but could be substantial.

Local Effect: Local expenditures could decrease for the construction of certain jails and detention centers which are currently subject to the State's prevailing wage law but would be exempt as provided by this bill.

Fiscal Analysis

State Expenditures: In 1995, the Department of Fiscal Services (DFS) conducted research on the fiscal implications of prevailing wage laws. Based on this research, DFS estimates that eliminating the State's prevailing wage law would reduce construction costs on affected contracts by 5% to 15%.

The Governor's proposed capital program for fiscal 1997 includes \$15.6 million to fund State correctional facility projects and \$14.7 million to fund local jails and detention centers, for a total of \$30.3 million. Portions of these projects are already exempt from the prevailing wage law because the law does not apply to land, design, equipment, and projects below \$500,000. This bill would impact about \$28.3 million in capital expenditures in fiscal 1997, including \$26.8 million in general fund expenditures and \$1.5 million in special fund expenditures.

Based on DFS's study, this bill would reduce general fund expenditures by \$1.34 to \$4.02 million and special fund expenditures by \$0.075 to \$0.22 million in fiscal 1997. Out-year expenditure reductions would depend upon the State's capital projects in any given year and cannot be reliably projected at this time.

Local Expenditures: In fiscal 1997, five counties will be involved in the construction of local jails and detention centers, including Allegany, Anne Arundel, Baltimore, Carroll, and St. Mary's counties. Under current law, the State's prevailing wage law requirements apply because the State is paying more than 50% of the construction costs on these projects. This bill would exempt these projects from the requirements of the State's prevailing wage law.

In fiscal 1997, the State will pay about \$14.7 million to fund local jails and detention centers; and in aggregate, the State will pay about 60% of the total construction costs for these facilities. It is estimated that the counties will pay about \$9.8 million for the construction of local jails and detention centers in fiscal 1997. If these projects are not subject to the State's prevailing wage law requirements, local expenditures could decrease by \$0.5 to \$1.5 million.

Information Source(s): Department of Fiscal Services

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