

Department of Legislative Services  
Maryland General Assembly

**FISCAL NOTE**

House Bill 1365 (Delegate McHale)

Economic Matters

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**Prevailing Wage Law - Application - Definition of Public Body**

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This bill applies the prevailing wage law to any political subdivision, agency, person, or entity with respect to construction of a public works project involving \$500,000 or more in State funding.

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**Fiscal Summary**

**State Effect:** Potential indeterminate increase in general fund expenditures due to increased construction costs. The Division of Labor and Industry's expenditures could increase by \$26,400 annually to hire an additional Statistical Assistant. No effect on State revenues.

**Local Effect:** Potential indeterminate increase in local government expenditures due to a possible increase in construction costs. No effect on local revenues.

**Small Business Effect:** Potential meaningful effect.

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**Fiscal Analysis**

**Background:** Title 17, Subtitle 2, of the State Finance and Procurement Article outlines the definitions, procedures, and requirements of Maryland's prevailing wage law. The prevailing wage law extends to any public works contract when State public funds are used to finance at least 50% of the construction costs of a particular project [§17-201(i); §17-202(b)(1)]. Public school projects are subject to prevailing wages if the State funding contribution is at least 75% of total project funding [§17-2019(i)].

**State Expenditures:** This bill expands the number of construction projects subject to the Prevailing Wage Law to include all projects involving \$500,000 or more in State funding, regardless of whether State public funds are used to finance at least 50% of the construction costs for public works projects or at least 75% of the construction costs for public school projects.

The number of public works projects and public school projects subject to the prevailing

wage should increase. Approximately 120 projects per year are currently subject to the prevailing wage law. The Division of Labor and Industry expects an additional 50 projects to become subject to the prevailing wage law each year as a result of this bill. Projects subject to the prevailing wage are estimated to cost 5%-15% more than projects which are not subject to the prevailing wage.

The 1999 budget submission contains funding for two additional Wage and Hour Investigators for the prevailing wage program. Assuming that funding is included for these positions in the fiscal 1999 budget, investigation and auditing responsibilities for this bill could be handled with existing resources. However, issuing determinations for 50 additional projects and auditing additional payrolls would require the Division of Labor and Industry to hire an additional Statistical Assistant which would cost approximately \$26,400 on an annual basis.

The bill would not affect the cost of projects managed by the Department of General Services (DGS). DGS already applies prevailing wage rates to construction projects which cost more than \$500,000.

**Small Business Effect:** The majority of contractors and subcontractors in the State are small businesses. It is assumed that the majority of businesses hired for State projects are also small businesses. To the extent that small businesses which are involved in public works or public school projects exceeding \$500,000 currently pay their employees less than the prevailing wage, the cost of doing business would increase.

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**Information Sources:** Carroll County; Department of General Services; Department of Labor, Licensing, and Regulation (Division of Labor and Industry); Harford County; Queen Anne's County

**Fiscal Note History:** First Reader - March 18, 1998

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