

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 273

(Senator Stone)

Finance

Prevailing Wage Rate - Public Work Contracts - Liquidated Damages

This bill increases the liquidated damages that a contractor must pay to a procuring agency for failure to comply with the prevailing wage law from \$20 for each laborer to 16 times the hourly prevailing wage of the laborer.

Fiscal Summary

State Effect: The bill would not materially affect State government operations.

Local Effect: None.

Small Business Effect: Potential minimal. The bill would have no impact on small businesses that are in compliance with the prevailing wage law.

Analysis

Current Law: Contractors or subcontractors are liable to the public body that awarded the contract for failure to comply with prevailing wage rates. Liquidated damages total \$20 per laborer.

Background: Exhibit 1 shows prevailing wage rates for several jurisdictions and categories of laborers. The Department of Legislative Services (DLS) notes that for any category of labor for which the prevailing wage rate is greater than \$20, contractors are required to pay a fine of less than one hour's wage for that laborer under current law.

Exhibit 1
Prevailing Wage Rates - Selected Jurisdictions and Categories
Building Construction

	Baltimore City	Prince George's County	Washington County	Wicomico County
Bricklayer	\$24.20	\$24.85	\$24.63	\$20.36
Carpenter	19.49	21.57	13.17	20.53
Electrician	25.10	28.75	22.80	18.55
Laborer:				
Common/Unskilled	13.64	13.47	11.03	9.38
Plumber	26.39	28.22	13.24	25.86
Roofer	19.50	21.55	20.85	22.50

Source: Department of Labor, Licensing, and Regulation (Division of Labor and Industry)

State Fiscal Effect: The Maryland Department of Transportation (MDOT) indicates that higher penalties would not materially affect revenues because they would decrease the number of contractors or subcontractors that are willing to provide construction services while out of compliance with the prevailing wage law. While DLS cannot reliably estimate the effect on rates of noncompliance; DLS does concur that a greater penalty should reduce the prevalence of noncompliance by a significant degree.

The Department of Labor, Licensing, and Regulation (DLLR) advises that \$52,241 of liquidated damages was assessed in 2003. That figure includes penalties for failure to comply with prevailing wage law and failure to submit payrolls in a timely fashion. DLLR is unable to provide information upon which a reliable estimate of the impact the provisions of this bill would have on the total amount of damages assessed.

Local Fiscal Effect: The effect on collection of liquidated damages by local jurisdictions should mirror that of State agencies per the estimates of MDOT.

Additional Information

Prior Introductions: None.

Cross File: HB 1111 (Delegate Conroy, *et al.*) – Economic Matters.

Information Source(s): Department of General Services, Board of Public Works, University System of Maryland, Maryland Department of Transportation, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2004
lc/jr

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