

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 3

Finance

(Senator Ellis)

Health and Government Operations

Workgroup on the Creation of a Data Dashboard for Public Work Contracts and Apprentices - Establishment

This bill establishes the Workgroup on the Creation of a Data Dashboard for Public Work Contracts and Apprentices to study and make recommendations regarding the most efficient and cost-effective method to create a publicly available dashboard that disaggregates information regarding public work contracts with the State. The Presiding Officers must designate co-chairs of the workgroup, and the Commissioner of Labor and Industry within the Maryland Department of Labor (MD Labor) must provide staff for the workgroup. Members of the workgroup may not be compensated but are entitled to expense reimbursements. By January 7, 2027, the workgroup must report its findings and recommendations to the Governor and General Assembly. **The bill takes effect July 1, 2025, and terminates January 31, 2027.**

Fiscal Summary

State Effect: MD Labor can staff the workgroup with existing resources. It is assumed that expense reimbursements for members of the workgroup are minimal and also absorbable within existing resources. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: At the workgroup's first meeting, it must vote to adopt a code of conduct providing for the acceptable conduct of workgroup members.

The workgroup must study the most efficient and cost-effective method to create a dashboard that includes, for public work contracts, information on:

- the name of each contractor and subcontractor;
- wages, including overtime wages, and benefits paid to each employee;
- the job classification of each employee;
- apprentices working under each contractor or subcontractor, as specified;
- each apprenticeship program sponsored by each contractor or subcontractor.

The workgroup must make recommendations regarding:

- where the data dashboard should be located;
- necessary costs associated its development and maintenance; and
- time frames during which the data dashboard can be developed and implemented and the frequency with which the information can be updated.

Current Law: For an overview of Maryland's prevailing wage law, including the definition of "public work," please see the **Appendix – Prevailing Wage Law**. Also, for a description of apprenticeships in Maryland, please see the **Appendix – Apprenticeship**.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 850 (Delegate Williams, *et al.*) - Health and Government Operations.

Information Source(s): Department of General Services; Maryland Department of Labor; Board of Public Works; Maryland Department of Transportation; Department of Legislative Services

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Appendix – Maryland’s Prevailing Wage Law

Contractors and subcontractors working on eligible public works projects in Maryland, including mechanical service contractors that are part of public works projects, must pay their employees the prevailing wage rate. “Public works” are structures or works, including a bridge, building, ditch, road, alley, waterwork, or sewage disposal plant, that are constructed for public use or benefit or paid for entirely or in part by public money.

Eligible public works projects are:

- those carried out by the State;
- any public work for which at least 25% of the money used for construction is State money;
- specified projects in tax increment financing districts if the local governing body approves of the application of prevailing wages; and
- construction projects by investor-owned gas and/or electric companies involving any underground gas or electric infrastructure.

Applicability in Maryland

Generally, any public works contract valued at less than \$250,000 is not required to pay prevailing wages. However, the prevailing wage law was amended in 2022 to include mechanical service contracts valued at more than \$2,500. Mechanical service contracts are defined as contracts for (1) heating, ventilation, and air conditioning, including duct work; (2) refrigeration systems; (3) plumbing systems, as specified; (4) electrical systems, as specified; and (5) elevator systems, as specified.

The State prevailing wage rate also does not apply to (1) any part of a public works contract funded with federal funds for which the contractor must pay the prevailing wage rate determined by the federal government; (2) specified construction projects carried out by public service companies under order of the Public Service Commission (except the underground projects mentioned above); or (3) local House or Senate initiatives that receive State funds in the capital budget.

Prevailing wages are wages paid to at least 50% of workers in a given locality who perform the same or similar work on projects that resemble the proposed public works project. If fewer than 50% of workers in a job category earn the same wage, the prevailing wage is the rate paid to at least 40% of those workers. If fewer than 40% receive the same wage rate, the prevailing wage is calculated using a weighted average of local pay rates. The

State Commissioner of Labor and Industry is responsible for determining prevailing wages for each public works project and job category based on annual wage surveys, in which contractors and subcontractors working on both public works and private construction projects may participate.

The University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland, and the Maryland Stadium Authority (MSA) are all exempt from the prevailing wage law. However, USM and MSU advise that they voluntarily comply with prevailing wage requirements for contracts that exceed the \$250,000 threshold. MSA largely administers its own prevailing wage program, using wage rates borrowed from the commissioner's annual wage survey.

Enforcement

The commissioner has the authority to enforce contractors' compliance with the prevailing wage law, including issuing a stop work order if the commissioner makes an initial determination that a contractor or subcontractor may have violated the prevailing wage requirements. Contractors found to have violated the prevailing wage law must pay restitution to the employees and liquidated damages to the public body in the amount of \$20 a day for each worker who is paid less than the prevailing wage, or \$250 per worker per day if the employer knew or reasonably should have known of the obligation to pay the prevailing wage. If an employer fails to comply with an order by the commissioner to pay restitution, either the commissioner or an employee may sue the employer to recover the difference between the prevailing wage and paid wage. The court may order the employer to pay double or triple damages if it finds that the employer withheld wages or fringe benefits willfully and knowingly or with deliberate ignorance or reckless disregard for the law.

The Governor must include at least \$385,000 in the budget each year for the Prevailing Wage Unit within the Maryland Department of Labor (MD Labor).

The number of prevailing wage projects rose dramatically following the Great Recession and has remained high each year since. MD Labor advises that, during fiscal 2024, its Prevailing Wage Unit monitored 948 projects, slightly up from the 913 projects in fiscal 2023 and 921 projects in fiscal 2022, but significantly more than the 496 projects in fiscal 2014. To accommodate the increase in projects, the number of prevailing wage investigators has increased, starting with doubling investigative staff in the unit from 3 to 6 in fiscal 2016. In fiscal 2024, the legislature again increased staffing for the division allowing for 8 investigators in the unit. The fiscal 2025 budget provided 9 new wage and hour positions for the division, 8 of which were assigned to the Prevailing Wage Unit. As of January 2025, the unit has 10 investigators, including 3 bilingual Spanish

speakers, and is recruiting for an additional 5 investigators and a bilingual (Spanish) interpreter.

History of the Prevailing Wage

The federal Davis-Bacon Act, originally enacted in 1931, requires contractors working on federal public works contracts valued at more than \$2,000 to pay their employees the prevailing local wage for their labor class, as determined by the U.S. Secretary of Labor. The general intent of the law, and similar state and local laws, is to stabilize local wage rates by preventing unfair bidding practices and wage competition. Thirty-two states and the District of Columbia currently have prevailing wage laws; since 1979, nine states have repealed their prevailing wage laws.

Maryland adopted a prevailing wage law in 1945 (Chapter 999), but it only applied to road projects in Allegany, Garrett, and Washington counties. In 1969, the statute was amended to include State public works contracts of \$500,000 or more. There have been periodic changes to the law and the definition of “prevailing wage.” In 1983, the law was broadened to include public works projects in which the State funds 50% or more of the total project costs and 75% or more in the case of public schools. Chapter 208 of 2000 reduced the prevailing wage threshold for public schools from 75% to 50% of construction costs, thereby bringing school construction projects in line with prevailing wage requirements for other public works projects. Chapters 281 and 282 of 2014 further lowered the State funding threshold for school construction projects to 25% of total construction costs, thereby requiring the vast majority of public school construction projects in the State to pay the prevailing wage, subject to the \$500,000 contract value threshold. Chapters 57 and 58 of 2021 lowered the State funding threshold for all public works projects (including school construction) to 25% of total construction costs and lowered the contract value threshold for payment of prevailing wages to \$250,000; however, legislative bond initiatives that receive State funds in the capital budget are exempt from the requirement to pay prevailing wages. As noted above, Chapter 51 of 2022 extended the prevailing wage requirement to mechanical service contracts valued at more than \$2,500.

Six Maryland jurisdictions – Allegany, Baltimore, Charles, Montgomery, and Prince George’s counties and Baltimore City – have local prevailing wage laws requiring public works projects in the jurisdiction to pay prevailing wages.

Research on the Effects of Prevailing Wage on Contract Costs

The Department of Legislative Services (DLS) has reviewed research on the effect of prevailing wage laws on the cost of public works contracts and has found inconsistent and/or unreliable results. The primary challenge confronted by all prevailing wage researchers is identifying an appropriate “control group” consisting of projects of similar

type, timing, and location that do not pay the prevailing wage. In most jurisdictions that require a prevailing wage, all projects of a specified type and size are subject to it, so there is no natural control group. Some researchers have compared project costs in states or localities before and after they adopted prevailing wage requirements, but their findings are clouded by the difference in time, during which construction costs changed and other factors were not consistent. Another deficiency in the research is that it almost always relies on project bid prices (*i.e.*, the anticipated cost prior to the beginning of construction) rather than actual final costs. As most construction projects experience change orders or cost overruns affecting their cost, reliance on bid prices negatively affects the validity of the findings. Therefore, research findings related to the effect of the prevailing wage on project costs are inconsistent and often inconclusive. A similar review of research conducted by MD Labor (at the time, the Department of Labor, Licensing, and Regulation) for the Task Force to Study the Applicability of the Maryland Prevailing Wage Law also concluded that “data limitations create difficulty for researchers on both sides of the issue.”

Local school systems occasionally solicit side-by-side bids with and without prevailing wages to help them decide whether they want to accept the full State match (and, thus, be subject to the prevailing wage) or a lesser State match without being subject to the prevailing wage. Data provided to the Public School Construction Program by Anne Arundel, Carroll, Frederick, Howard, and Washington counties, from 2012 through 2015, shows that the cost differential between bids with and without prevailing wages for 266 individual bids submitted for 26 different school construction and renovation projects averaged 11.7%, with a range from 0% to 49%. As with other research data, these represent bid prices, not actual construction costs. An independent analysis of the Maryland side-by-side bid data concluded that factors other than prevailing wages, including bid timing and the level of competition for the bids, accounted for most of the differences between the prevailing wage and nonprevailing wage bids.

One area of the research in which there is a general consensus, and which is supported by the U.S. Bureau of Labor Statistics, is that labor costs represent between 20% and 30% of construction costs (with materials and site costs making up most of the rest). Therefore, a 10% gap between prevailing wages and market wages could theoretically increase total contract costs by about 2.5%, and a 20% gap in wages could increase total contract costs by about 6%. Given the empirical evidence that prevailing wages tend to be higher than nonprevailing wages and that labor costs are a significant portion of overall project costs, DLS believes that it is reasonable to expect that the prevailing wage requirement adds between 2% and 5% to the cost of a public works project. Given the inconsistency and inconclusiveness of the empirical research, however, actual effects may vary by project, with some projects exhibiting higher cost differences and others experiencing negligible differences.

Appendix – Apprenticeship

Generally, apprenticeship is a voluntary, industry-sponsored system that prepares individuals for occupations typically requiring high-level skills and related technical knowledge. Apprenticeships are sponsored by one or more employers or jointly by a labor-management committee. An apprentice receives supervised, structured, on-the-job training under the direction of a skilled journeyperson and related technical instruction in a specific occupation. Apprenticeships are designed to meet the workforce needs of the program sponsor. Many industry sponsors use apprenticeship as a method to train employees in the knowledge necessary to become a skilled worker. This also means the number of apprenticeships available is dependent on the current workforce needs of the industry and the capacity and willingness of employers or employer groups to supervise them.

Apprenticeships are available to individuals age 16 and older; an employer, however, may set a higher entry age. By law, individuals must be age 18 to apprentice in hazardous occupations, although there are some exemptions available to minors who are registered as apprentices. Time-based apprenticeships last from one to six years and involve a minimum of 144 hours of related technical instruction and at least 2,000 hours per year of on-the-job training.

A national apprenticeship and training program was established in federal law in 1937 with the passage of the National Apprenticeship Act, also known as the Fitzgerald Act. The purpose of the Act was to promote national standards of apprenticeship and to safeguard the welfare of apprentice workers.

Along with [more than half of other states and the District of Columbia](#), Maryland has chosen to operate its own apprenticeship programs under the federal law. The Division of Workforce Development and Adult Learning (DWDAL) within the Maryland Department of Labor (MD Labor) is responsible for the daily oversight of State apprenticeship programs. More specifically, DWDAL approves new apprenticeship programs as well as changes to current programs and ensures compliance with State and federal requirements. The approval process involves assessing the appropriateness of an apprenticeship program in a proposed industry, the education that will be provided to the apprentice, the current staffing level of the entity proposing the program to determine whether adequate supervision can be provided, recruitment and retention efforts, and the overall operations of the entity. The Maryland Apprenticeship and Training Council serves in an advisory role for legislation and regulations, recommending changes to update apprenticeship laws.

At the end of 2023, there were 11,271 apprentices registered in 124 different occupations. There were 2,016 Certificates of Completion for apprentices in 2023. The State added 41 new apprenticeship programs in 2023. The diversity of Maryland's apprenticeship system has also increased since the transfer of the program to DWDAL in 2016. The percentage of minority apprentices increased from 36% in November 2016 to 43% in December 2023. Likewise, the percentage of female apprentices increased from 3.7% in November 2016 to 7.6% in December 2023.

In addition to registered apprenticeship, MD Labor, in collaboration with the Maryland State Department of Education, also operates a parallel youth apprenticeship program aimed at connecting students to paid employment and training opportunities called the Apprenticeship Maryland Program. As of May 2024, there were 1,045 active youth apprenticeships participating in the program.

Chapter 168 (Senate Bill 104) of 2023 established the Apprenticeship 2030 Commission. The purpose of the commission is to examine and make recommendations to reduce skill shortages in high-demand occupations and provide affordable training for career pathways for young people by:

- expanding registered apprenticeships in industry sectors with skill shortages;
- growing the number of registered apprentices to at least 60,000 by 2030; and
- reaching the Blueprint for Maryland's Future goal for 45% of high school graduates completing the high school level of a registered apprenticeship.

The Apprenticeship 2030 Commission met 4 times in 2023 and 10 times in 2024 and published the [Interim Report of the Apprenticeship 2030 Commission](#). A final report is expected during calendar 2025.

In response to Chapters 307 and 308 of 2024, MD Labor released a report on analyzing the apprenticeship mentoring ratio for all nontraditional apprenticeable occupations in the State. The [report](#) indicates that, for fiscal 2024, there were approximately 694 apprentices employed by 119 employers in nontraditional apprenticeships (those outside the traditional building trades).

The 2022 *Joint Chairmen's Report* (JCR) outlined concerns with workforce shortages among government employees in the public safety, health, and transportation sectors. The report directed MD Labor to convene workgroups to study and report on the short-term and long-term needs in each respective sector, as specified. Pursuant to the 2022 JCR, MD Labor released reports from a [Healthcare Apprenticeship Workgroup](#), [Transportation Apprenticeship Workgroup](#), and [Public Safety Apprenticeship Workgroup](#).