



Chairwoman Shane Pendergrass
Vice-Chair Joseline Penya-Melnyk
Members
House Gov't Operations Committee
Rm. 241 House Ofc Bldg
Annapolis, MD 21401

HB 583 – State Procurement - Payment of Employee Health Care Expenses - Revisions

Testimony Position – Favorable

February 26, 2020

Good afternoon Madam Chair and members of the House Health and Government Operations Committee. My name is Rick Binetti. Thank you for the opportunity to provide testimony in support of HB 583.

This bill was passed by the Committee, House and Senate last year to become law. It provides that any contractors and subcontractors bidding on state construction work must spend at least five percent of the company's total aggregate employee social security wages on providing employee healthcare.

Last year, the Office of the Attorney General advised the Governor that the blanket MBE exemption contained within the bill may not be specifically tailored enough to be constitutional. They did advise however, that this provision is severable from the bill. Over the interim we tried to fix this issue but ultimately decided it was easier to amend it back to the posture in which passed in last year. The bill before you today comes with friendly amendments to take HB 583 back to the way it passed last year with these exceptions:

- This year's bill adds both the MD Stadium Authority and the Univ of MD System (excluding Morgan State University).

- This year's bill would include any subcontractors added to a contract after it has been awarded. Last year's bill included only subcontractors listed in the original bid. Based on advice from the Board of Public Works, this creates a loophole for contractors and subcontractors to get around the intent of the law.
- This year's bill would also remove the provision that the law only applies to construction workers working on the site of the project.

Rational for Adding MD Stadium Authority and the Univ of MD System

In 2018, language was added to the MD Capital budget which says the UMS system must report out on how many of its construction contractors are paying MD's Prevailing Wage, and of their contractors that aren't, UMS must report out on what levels of health care these contractors are providing their construction craft workers. Although the System is exempt from MD's Prevailing Wage law, UMD has reported thus far that all of its construction contractors are paying the Prevailing Wage.

According to the bill's fiscal note, the MD Stadium Authority also says it pays Prevailing Wage on all of its projects. Because the Prevailing Wage includes a fringe healthcare component, the fiscal note later provides "... [USM and MSA] both indicate that they voluntarily comply with prevailing wage requirements for projects at or above the \$500,000 threshold. Therefore, most contractors on their projects should be able to comply with the bill's requirements without substantially increasing the cost of MSA and USM construction projects."

Support Important Public Policy

Through existing statutes, such as Maryland's prevailing wage statute, the state has made a clear commitment to invest its capital infrastructure resources in ways that encourage both contractors and the skilled trades to work together and continually grow a local and experienced workforce. These policies help LiUNA's 80 Maryland-based contractors keep approximately 4,000 of our members who live in Maryland employed in a meaningful way, and with access to quality healthcare. These are construction workers who didn't go to college and are not getting rich, but who can keep their families safely in the middleclass. It's a solid return on Maryland's investment because our contractors, and others like them, ensure that the state taxpayers don't have to pay for uncompensated healthcare and increased Medicaid costs.

We think this is a reasonable and responsible way to incentivize responsible contractors that bid on state public works projects to meaningfully contribute to employee healthcare expenses. If the committee thinks there changes that can be made to make this bill even more reasonable for contractors of any size, we would be happy to work with you and any of the bill's opponents.

We urge for a favorable report on HB 583.

Thank you.