



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HB1048 PUBLIC UTILITIES - INVESTOR-OWNED UTILITIES - PREVAILING WAGE

TESTIMONY OF DELEGATE LORIG CHARKOUDIAN

MARCH 9, 2020

Chair Davis, Vice Chair Dumais, Members of the Economic Matters Committee:

Given Maryland's efforts to modernize and ensure the integrity of our public utility infrastructure, the need to extend the prevailing wage floor to underground utility construction performed by outside contractors on behalf of investor-owned gas and electric utilities is critical. HB 1048 is a logical extension of Maryland's existing prevailing wage policy for public infrastructure.¹ Relying on outside contractors, without a corresponding prevailing wage floor, puts pressure on the utilities to lower compensation for this important work and potentially threatens the quality of the workforce needed to ensure the safety and reliability of the public utility infrastructure.²

It is important to note that a prevailing wage floor would not significantly increase utility rates. The Maryland Department of Legislative Services has estimated that a prevailing wage floor might reasonably be expected to increase total capital project costs by 2 to 5%. If so, the impact on customer utility bills would be minimal. For example, a 2-5% increase in BG&E's capital project costs during the three years before its recent rate case might have increased average residential bills by no more than 9 to 22 cents per month.³ A 2018 study prepared on prevailing wage law effects noted that "of the combined 17 peer-reviewed studies over the last 18 years, 82% indicated that prevailing wages are not associated with increased construction costs."⁴

The reliability and safety of these services also depends on the quality of the work done to install and maintain the infrastructure. As we all know, utility installation and maintenance work often disrupts public streets. This causes significant public inconvenience, but it can also pose serious public safety risks if not done with great skill and care.⁵ The importance of this work and its

¹Public Interest Benefits and Residential Customer Bill Impacts of Expanding Maryland's Prevailing Wage Law to Underground Utility Infrastructure, BY DAN LIPSCHULTZ, provided by Rick Binetti, Political/Leg Director, LiUNA (Laborers International Union of North America)

² Lipschultz, p. 3

³ Lipschultz, p. 3

⁴ <https://faircontracting.org/wp-content/uploads/2019/04/NY-PW-report-Duncan-3-15-18.pdf>, p.4

⁵ Lipschultz, p.4

public impact, requires a highly competent and skilled workforce to construct and maintain the utility facilities used to deliver them.⁶ Studies have shown that a prevailing wage floor significantly increases worker productivity. In fact, a study in 2019 noted that paying the prevailing wage has been shown to reduce work interruptions and cost-overruns while also lowering injury rates. As a result, a prevailing wage floor should result in work that is more efficient and ultimately less costly.⁷

I respectfully request a favorable report on HB 1081.

⁶ Lipschultz, p.4

⁷ https://faircontracting.org/wp-content/uploads/2019/01/The-Effect-of-Prevailing-Wage-Law-Repeals-and-Enactments-on-Injuries-and-Disabilities-in-the-Construction-Industry_Jan-2019.pdf