



Maryland Chamber of Commerce

HB 430
OPPOSE/
SUGGEST
AMENDS

Finance
Committee
4/6/07

Legislative Position

HB 430

State Procurement Contracts – Living Wage

Bill Summary: This bill would require employers under a State service contract of over \$100,000 to pay an hourly wage of at least \$11.30 per hour to their employees in the 6 metropolitan counties and \$8.50 per hour in the balance of the state. Future wage levels would be indexed to inflation.

Chamber Position: The Maryland Chamber of Commerce opposes this bill. There is no reason for the State to inflate the wage rates of its service contracts above a level that is more appropriately set in the marketplace. At a time when there are already inadequate funds to pay for State procurements, this bill is inadvisable for the following reasons:

- The General Assembly addressed the issue of an appropriate minimum wage level in 2005 by increasing Maryland's minimum wage. It appears very likely that the federal minimum wage level will shortly be further increased.
- It is fiscally irresponsible to inflate State procurement costs by millions of dollars annually when the State currently has a structural deficit of over \$1.5 billion dollars. No other state has enacted such a law.
- The fiscal note observes that the long-term effects of the bill could be significant, and that the bill could put small businesses at a competitive disadvantage in bidding for State contracts.
- The required wage rate of \$11.30 per hour equates to an annual salary of \$23,504. The State does not even pay its own State employees at that starting level for the first three pay grades. For no apparent policy reason, non-profit organizations are exempted from the bill, causing unfair price competition with for-profit businesses.
- Creating a minimum wage rate of \$11.30 per hour undercuts the whole purpose of competitive bidding for contracts, which is to obtain the best service at the lowest price.
- Creating a two-tiered minimum wage rate will cause endless problems for contractors and state agencies in bidding and applying the \$11.30 and \$8.50 rates on jobs that are statewide or multi-county in scope.

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For these reasons, the Maryland Chamber respectfully urges that this bill be given an unfavorable report. If the Committee chooses to pass the bill notwithstanding our opposition, we request that you consider amending the bill to address the attached issues in the interest of fairness, clarity, and equity of enforcement.

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State of Maryland Standard Salary Schedule

**State of Maryland
Standard Salary Schedule
Annual Rates Effective July 1, 2006**

GRADE	BASE	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6	STEP 7	STEP 8
5	\$20,364	\$21,056	\$21,776	\$22,525	\$23,303	\$24,113	\$24,534	\$24,962	\$25,401
6	\$21,575	\$22,316	\$23,085	\$23,887	\$24,718	\$25,585	\$26,036	\$26,495	\$26,964
7	\$22,871	\$23,664	\$24,488	\$25,345	\$26,237	\$27,164	\$27,645	\$28,137	\$28,638

HB 430 – LIVING WAGE
SUGGESTED AMENDMENTS

3rd Reader Page/Line	Issue
Pg 3/Ln 13	Amend definition of “employer” to exclude employers with less than 10 employees to lessen compliance burden on Maryland’s smallest businesses.
Pg 4/Ln 17-21	How can the head of a procuring unit decide which tier of wages must be paid for a service contract that could have one service location that could be located anywhere in the state (e.g. a call center)? On a contract that will be performed in counties in both tiers, how does a contractor reconcile that initial determination with the provisions of the following section, which seem to require payment of wage levels based on actual performance? It is better to simply strike this language since it serves no useful purpose and potentially conflicts with the language requiring wage levels based on where a majority of the contract is actually performed.
Pg 5/Ln 4-13	The bill is vague regarding when the CPI adjusted wage rates that are adopted by the Commissioner are effective. Amend the language to require that the new wage rates be published in the Maryland Register and are effective for bids submitted after their publication.
Pg 5/Ln 20-29	Allow for the deduction of payments to an employee’s 401K in computing wage rate compliance.
Pg 5/Ln 24	Clarify that the cost of health insurance that may be deducted is that which is “offered to” each employee, so that if an employee declines health insurance provided to other employees the employee may not demand a higher hourly wage.
Pg 6/Ln 8-9	What does this right of employees to free speech and association add to existing rights under the 1 st amendment to the U.S. Constitution or Article 40 of the Declaration of Rights of the Maryland Constitution? Unless this language can be explained and justified, it should be deleted.

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- Pg 6/Ln 13–24 Require the Commissioner to provide copies of wage notices on the DLLR website that employers may post in languages commonly used in Maryland. This will eliminate the need for every employer to purchase translation services in printing the notices.
- Pg 8/Ln 19-27 Clarify that an employee has no cause of action for unpaid wages if they have received restitution approved by the Commissioner. This will eliminate double dipping by an employee who has received full compensation.
- Pg 9/Ln 13 Eliminate jail time. Neither the minimum wage nor the prevailing wage laws have criminal sanctions for violations.
- Pg 10/Ln 3 Add a requirement for DLS to study the fiscal impact of this bill if it were applied against all existing state service contracts, including entities exempted from the bill, and report to the General Assembly by 9/1/07. This will give the General Assembly a better baseline of data for subsequent decisions in light of the vague fiscal note.
- Pg 10/Ln 9 Amend effective date of the bill to be 1/1/08 to allow time for the promulgation of regulations and education of businesses.