



Maryland Chamber of Commerce

Legislative Position

**SB 694
SUPPORT**

**Finance
Committee**

3/5/09

SB 694

Procurement – Living Wage - Repeal

Bill Summary: This bill would repeal the state's living wage law.

Chamber Position: The Maryland Chamber of Commerce supports this bill. All of the arguments that we made against the law's enactment in 2007 hold true today. At a time that the state struggles to close over a \$1 billion gap between ongoing spending and revenues, this program needlessly inflates the cost of state service contracts by paying above market wages.

The living wage law was enacted in 2007, joining the state minimum wage law and state prevailing wage law as a third tier of government-established wage levels. Despite assertions by the bill's advocates that the bill would have no cost to the state, the reverse has proven true:

- The Department of Legislative Services released an evaluation of the Maryland living wage law in January indicating that sampled contracts reflected an average increase in wage costs passed on to the state of 13 to 25%.
- The Comptroller's Office received an appropriation in its fiscal year 2009 budget for \$760,000 to reflect cost increases in wages paid to temporary contractual staff resulting from the living wage law. Later in the year that office had to eliminate one-half of its temporary staff due to mid-year budget reductions, causing management personnel to perform clerical functions.
- The Department of General Services is requesting a deficiency appropriation for fiscal year 2009 of approximately \$299,000 to pay for cost increases paid to contractual staff resulting from the living wage law.
- Other state agencies certainly have similar increases in services contracts layered throughout their budgets. The fiscal note on the bill reflects over \$1 million in state savings from the bill's enactment.

The state cannot afford to pay above market wages. We urge a favorable report for this bill.

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