

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis, MD 21401

Dear Mr. President:

In accordance with Article II, Section 17 of the Maryland Constitution, today I have vetoed Senate Bill 324 - *Procurement - Payment Security and Performance Security*.

Senate Bill 324 exempts contractors from providing a payment and performance security for State construction contracts under \$200,000. Current law exempts contractors with contracts under \$100,000, which is consistent with about 30 states and the federal government.

As Governor, I have made job creation and economic growth a hallmark of my Administration. Since small and minority businesses are the engines that drive our economy, it is important that we continue to encourage and protect these entrepreneurs.

While I believe Senate Bill 324 is intended to help small businesses, it has the potential of having the opposite effect. To wit, many small and minority businesses establish themselves in the marketplace by becoming subcontractors on State construction contracts. When operating as a subcontractor, most small businesses lack the capital and resources necessary to remain solvent should a general contractor default on its payments, thereby leaving no recourse for the subcontractor. Simply put, subcontractors need the confidence that payment security bonds provide in order to bid competitively for portions of State contracts.

Further, as a member of the Board of Public Works, I am a steward of taxpayer dollars spent on State contracts. It is a responsibility I take most seriously. It is my obligation to provide security and expediency to State construction projects, both of which are a function of performance and payment bonds issued to protect the State of Maryland.

We appreciate the General Assembly's assistance and cooperation in passing legislation to support small, minority and emerging businesses, especially those legislative items based on recommendations from the Governor's Commission on Minority Business Enterprise Reform. We welcome the General Assembly to work with us on this and other issues that will have a positive impact on the business community.

For the above stated reasons, I have vetoed Senate Bill 324.

Very truly yours,
Robert L. Ehrlich, Jr.
Governor

Senate Bill No. 324

AN ACT concerning

Procurement - Payment Security and Performance Security
~~—Subcontractors~~