

Senate Bill 621 requires contractors or subcontractors with a State contract for services valued at \$100,000 or more to pay their employees a "living wage." The living wage is set at \$10.50 for fiscal year 2005 and would be adjusted annually by the Commissioner of Labor and Industry. If employers provide health insurance to workers, the employers may reduce the wages paid by all or part of the hourly cost of the employer's share of the premium for each employee. The bill also provides for the investigation of complaints, hearings, fines and penalties for noncompliance, and authorizes an employee to sue for damages when an employer fails to pay the living wage.

Senate Bill 621 presents significant policy issues that would be detrimental to the State. Specifically, there is the potential for: 1) significantly higher costs to the State for procurement contracts; 2) an increase, rather than a decrease, in unemployment; and 3) small business exclusion in the State procurement market.

Under the State's current fiscal condition, there are already inadequate funds to pay for State procurements. Unintended consequences could cause Maryland firms that are currently doing business with the State to move elsewhere or not bid on State contracts. The message that wages in this State will no longer be set by the competitive market of employer and employee relations, but rather by the government, sends the wrong message about Maryland's business climate. Senate Bill 621 undermines the very purpose of the competitive bidding process, that the State obtains the best service at the lowest price.

Furthermore, Senate Bill 621 does not consider the jurisdictional cost of living differences between the urban, suburban and rural regions of the State. No other state in the country has adopted living wage as a statewide policy. Former Governor Gray Davis, while supporting the concept of higher wages for workers, vetoed a living wage measure in California citing the state's fiscal conditions and questioning the appropriateness of increasing contracting costs for all state departments at a time when they can least afford it. Senate Bill 621 unfortunately, raises each of these concerns while breaking the trust of Maryland's taxpayers to use our scarce public funds wisely for the benefit of Maryland and its citizens.

For the above stated reasons, I have vetoed Senate Bill 621.

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

Senate Bill No. 621

AN ACT concerning

State Procurement Contracts - Living Wage

FOR the purpose of requiring certain contractors and subcontractors to pay certain employees a certain minimum wage ~~level~~ rate under certain State procurement contracts; providing certain exemptions and reductions in a certain wage ~~level~~ rate; requiring the Commissioner of Labor and Industry to ~~prescribe~~ alter a living certain wage ~~level~~ rate based on a certain Consumer Price Index and to