

April 8, 2022

The Honorable Bill Ferguson
President of the Senate
H-107 State House
Annapolis, MD 21401

Dear President Ferguson:

In accordance with Article II, Section 17 of the Maryland Constitution, I have vetoed Senate Bill 259 – *Procurement – Prevailing Wage – Applicability*.

From my first day in office, our Administration has made it a mission to keep Maryland open for business – and despite the hardships and uncertainties of a global pandemic, our great State has achieved one of the most impressive economic turnarounds in the nation. Jumping from 31st to 12th place in a recent ranking of America’s top business states, Maryland was recognized in 2021 as the most improved state for business. This legislation, however, threatens to unravel much of what we have accomplished by hurting our small business job creators – just as inflation skyrockets to a 40-year high. Although well intended, Senate Bill 259 sadly will cause more harm than good.

By expanding the definition of “construction” to include ongoing service maintenance contracts and lowering the threshold to only \$2,500, this legislation increases the applicability of prevailing wage for public work contracts – and in doing so, will create a ripple of unintended consequences for our State.

As the global economy grapples with geopolitical tensions and soaring inflation, many already are experiencing sticker shock at the rising prices of labor and supplies – and arbitrarily inflating the cost of doing business with our State is not in anyone’s best interest. By making public work projects more expensive, job opportunities will decrease as less projects are funded; competition will falter as smaller firms are deterred from bidding on State contracts; and ultimately, taxpayers will end up paying more while receiving less.

Though large contractors are better equipped to absorb the added costs, smaller businesses are hurt at a disproportionate rate by both prevailing wage requirements and inflationary pressures. Many small businesses lack the staff and resources necessary to keep up with the additional accounting and reporting red tape that

accompanies prevailing wage. For many of our smaller contractors, the risks of participating in State procurement simply will outweigh the benefits. And although we have come a long way from the earliest days of the pandemic, many small businesses remain on high alert to the dangers of uncertainties within the global economy. A national small business survey published in January revealed that 87% of small businesses found labor shortages *to be a significant challenge*; 69% expressed that supply chain issues *had negatively affected their business revenue*; and 76% said that inflation *had hurt their business' financial health*.

With passage of Senate Bill 259, the General Assembly chose the absolute worst possible time to burden Maryland's families and job creating small businesses. Now more than ever, we should continue to build on our State's economic success story, proudly support our small business community, and keep Maryland open for business.

For these reasons, I have vetoed Senate Bill 259.

Sincerely,

Lawrence J. Hogan, Jr.
Governor