



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB849
Economic Development - Eligibility for State Job Creation Incentives
Testimony by Delegate Vaughn Stewart
February 23, 2022 • Ways and Means Committee

What the Bill Does

HB849 will ensure that Maryland's job creation subsidies only reward employers who provide good jobs. Delegate Feldmark's HB278—which passed the General Assembly last year over the Governor's objection—established labor standards for the Job Creation Tax Credit program; this bill extends those protections to all other tax credit programs.

Companies will be prohibited from qualifying for our job creation tax incentive programs unless their jobs pay a decent wage, guarantee the right to collectively bargain, provide paid leave, offer decent health insurance benefits, and include career advancement training opportunities. A decent wage is defined in the bill as 150% of the state's minimum wage, which, in 2022, would be \$18.75 an hour. When the state's minimum wage inches up to \$15 an hour, employers would be required to provide jobs that pay at least \$22.50 an hour to be eligible for corporate subsidies.

Why the Bill Is Important

Subsidizing bad jobs means that workers are charged three times for the same low-paying job. First, workers supply nearly 70% revenue in Maryland's budget through their taxes, so they are primarily footing the bill for these incentive programs. Second, taxpayers are picking up the tab when employers offer such low-paying jobs that their workers must rely on public assistance. In 2013, the annual federal cost to provide public assistance to Maryland's working families was \$2 billion; the annual state cost was \$600 million. Higher wages and better benefits would result in significant cost savings for the state government that we could provide to other programs and priorities. And finally, many workers pay a third time because bad jobs put downward pressure on their own wages and benefits.

But HB278 is about more than budgets and economics: It's about basic fairness. We

should not reward employers whose employees work hard and yet still qualify for food stamps. By establishing labor standards for all tax incentives, we could ensure that our constituents only pay once and receive a public good in return: a job in our state that will provide dignity to a family while yielding positive multiplier effects.

Finally, this bill is important because it provides uniform labor standards across all programs. Last session, the Maryland Chamber of Commerce testified to this committee in the context of HB278 that “[h]aving two different wage payment requirements over multiple programs . . . creates confusion and uncertainty – disincentivizing the use of economic development programs.” This bill mitigates any such confusion caused by the landmark HB278.

Why the Committee Should Vote Favorably

In the last forty years, productivity has risen 74%, while today’s average hourly wage has about the same purchasing power it did in 1978. In the face of the largest 12-month increase in inflation in 40 years, inflation-adjusted hourly earnings have fallen nearly 2 percent in the last year. Exacerbating the problem of stagnating wages is the decline of employer-provided health insurance. In 1998, 55% of the working class and working poor (making around \$15,000 to \$55,000 a year) had employer-sponsored coverage; by 2018, it was only 34 percent. **HB849 would ensure that our taxpayer dollars are being used to alleviate, rather than exacerbate decades-long wage and benefit stagnation.**

If last year’s debate is any indication, some opponents of this bill might argue that the cost of living varies across the state, and that we should accordingly vary labor standards by region. While that’s true, it’s important to note that there is no county in the state where \$18.75 is enough for a stable budget. Per the ALICE Project, in Allegany County, which has the lowest cost of living in the state, a single adult with no kids would need \$22.55 in 2018 dollars, and two adults with two kids would need to each earn \$24 an hour.

This bill represents a significant step toward ensuring that every Maryland worker is treated with dignity and respect, and that every public dollar is used for the public good. I urge a favorable report.