

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE

House Bill 686 (Delegate Marriott. *et al.*)

Economic Matters

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**Procurement - State Contractors - Living Wage to Employees**

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This bill requires contractors and sub-contractors to pay their employees a living wage under all State procurement contracts, excluding supply contracts. The term “living wage” is defined as the minimum hourly wage, based on a 40-hour workweek, required to exceed the most recent U.S. Department of Health and Human Services Poverty Guidelines for a family of four. If the Maryland Prevailing Wage Law applies to a procurement contract, and the prevailing wage rate exceeds the living wage rate, the prevailing wage applies. The Board of Public Works is required to set the living wage rate before October 1 of each year.

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**Fiscal Summary**

**State Effect:** Potential meaningful. To the extent that employees working on State procurement projects currently earn less than the “living wage,” this bill could cause payroll costs and consequently State procurement contract costs to increase.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Small business contractors and sub-contractors would have to pay their employees a “living wage” under most State procurement contracts. To the extent that these businesses currently pay salaries less than the living wage, payroll costs would increase. These businesses would likely pass these payroll costs onto the State in the form of higher contract prices.

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## Fiscal Analysis

**State Effect:** This bill requires employers to pay their employees a living wage under procurement contracts and sub-contracts. The term “living wage” is defined as the minimum hourly wage, based on a 40-hour workweek, required to exceed the most recent U.S. Department of Health and Human Services Poverty Guidelines for a family of four. The last published poverty rate for a family of four was \$16,400. Therefore, the current “living wage” is approximately \$7.88/hour for a 2,080 hour/year job. The State minimum wage rate is currently \$5.15 per hour.

The Board of Public Works is required to set the living wage rate before October 1 of each year. The board could incur minimal costs associated with its responsibilities provided by the bill.

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**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Transportation (State Highway Administration); Department of Budget and Management; Department of Public Works

**Fiscal Note History:** First Reader - March 2, 1999

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