

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1371 (Delegate Young, *et al.*)
 Economic Matters and Appropriations

Maryland-Africa and the Caribbean Investment and Development Program -
 Establishment

This bill establishes the Maryland-Africa and the Caribbean Investment and Development Program and a related special fund, administered by the Department of Commerce, as well as an advisory board. The purpose of the program is to study and promote investment, trade, and economic development between the African diaspora in Maryland and Africa and the Caribbean region. For fiscal 2028 through 2032, the Governor must include in the annual budget bill an appropriation of \$10.0 million to the fund. Commerce must adopt regulations to implement the bill.

Fiscal Summary

State Effect: No effect in FY 2027. General fund expenditures increase by \$10.0 million from FY 2028 through 2032 due to the mandated appropriation; special fund revenues and expenditures increase correspondingly. Special fund revenues and expenditures also increase to the extent any loans are made and repaid. **This bill establishes a mandated appropriation for FY 2028 through 2032.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$0	\$10.0	\$10.0	\$10.0	\$10.0
GF Expenditure	\$0	\$10.0	\$10.0	\$10.0	\$10.0
SF Expenditure	\$0	\$10.0	\$10.0	\$10.0	\$10.0
Net Effect	\$0.0	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary: “African diaspora” means individuals of African or Caribbean descent residing in Maryland, including first-generation immigrants and their descendants.

Maryland-Africa and the Caribbean Investment and Development Program

The advisory board for the program consists of specified individuals, and the chair and vice chair of the board must be elected from among the board’s members. A member of the board may not receive compensation but is entitled to reimbursement for expenses. The Governor may remove an appointed member for cause.

The board must study and make recommendations to Commerce regarding (1) advancing bilateral trade and investment between the African diaspora in the State and Africa and the Caribbean region; (2) initiating joint action on policy issues of mutual interest to the African diaspora in the State and Africa and the Caribbean region; (3) encouraging mutual investment in the infrastructure of the African diaspora in the State and Africa and the Caribbean region, with a focus on job creation and investment in communities in Northeast Baltimore; (4) establishing requirements to participate in the program; and (5) other issues as determined by the board.

To carry out the recommendations of the board, Commerce may (1) issue grants, low-interest loans, or capital to eligible businesses and (2) provide financing for technical assistance and business services for eligible businesses. To be eligible to receive funding, a business must be (1) owned by, or partnered with a business owned by, a member of the African diaspora and (2) located in Northeast Baltimore or another community designated by the board.

A business that receives funds under the program must (1) hire at least 50% of new hires from the community in which the business is located and (2) comply with prevailing wage requirements for construction and applicable contracts. A business that receives funds from the program may not use the funds to pay for passive investment, refinance debt, or pay for activities related to lobbying. Commerce may require a business that receives program funds but fails to meet the requirements of the program to return all or a portion of the funds.

Maryland African Diaspora Investment and Development Fund

The Maryland African Diaspora Investment and Development Fund is a special, nonlapsing fund with the purpose of providing grants, low-interest loans, and technical assistance to businesses that are owned directly by or in partnership with the African diaspora. Commerce must administer the fund.

The fund consists of money appropriated in the State budget, interest earnings, and any other money from any other source accepted for its benefit. The fund may only be used for (1) grants and loans to eligible businesses; (2) providing technical assistance and development services to eligible businesses; (3) providing capital for start-up and expansion to eligible businesses; and (4) Commerce's administrative expenses to carry out the program. Any interest earnings must be credited to the fund.

Reporting Requirements

By December 31, 2028, and annually thereafter, Commerce must report to the General Assembly on (1) the projects funded through the program; (2) the economic impact of the program, including the number of jobs created; (3) the geographic distribution of investments; and (4) the community engagement with the program.

By December 31, 2031, Commerce must report to the General Assembly on (1) whether the program is achieving the expected outcomes; (2) whether the program should be continued or terminated; (3) any changes to the program suggested by the board; and (4) whether the program should be expanded.

Current Law:

Maryland-Ireland Trade Commission

Chapter 409 of 2024 established the Maryland-Ireland Trade Commission in Commerce with the purpose of studying and promoting trade between Maryland and Ireland. The commission had to study and make recommendations regarding (1) advancing bilateral trade and investment between Maryland and Ireland; (2) initiating joint action on policy issues of mutual interest to Maryland and Ireland; (3) promoting business and academic exchanges between Maryland and Ireland; (4) encouraging mutual economic support between Maryland and Ireland; (5) encouraging mutual investment in the infrastructure of Maryland and Ireland; and (6) other issues as determined by the commission. The commission submitted its [final report](#) in December 2025. Absent legislation to extend its authorization, the Maryland-Ireland Trade Commission terminates September 30, 2026. (Senate Bill 363 and House Bill 413 of 2026, as introduced, would extend the commission for two years.)

Office of International Trade

The Office of International Trade within Commerce promotes the development of international business activities and opportunities in the State. The office is generally charged with encouraging businesses in the State to increase international trade activities, with special emphasis on exports; encouraging and facilitating participation by businesses

in the State in barter, counter trade, and joint venture transactions; and coordinating with other federal, State, and local units and private organizations.

Prevailing Wage Law

For an overview of the prevailing wage law, please see the **Appendix – Maryland’s Prevailing Wage Law**.

State Fiscal Effect: As this analysis assumes discretionary funding is not provided in fiscal 2027, there is no effect that year. However, general fund expenditures increase by \$10.0 million each year from fiscal 2028 through 2032 due to the bill’s mandated appropriation to the Maryland African Diaspora Investment and Development Fund. Special fund revenues to and expenditures from the fund increase correspondingly over that five-year period. As the bill explicitly allows for the fund to cover costs for administering the program, Commerce’s administrative expenditures are paid for by the fund for the duration of the mandated appropriation, with the remaining balance assumed to be distributed as grants or loans or used for other allowable purposes each year. Special fund revenues further increase to the extent any loans are made and repaid or previously issued funds are returned, allowing for additional grants or loans to be awarded. However, a reliable estimate of any loan repayments, and the corresponding increase in special fund revenues and expenditures, is not feasible.

Special fund expenditures for administrative costs increase by \$191,751 in fiscal 2028, concurrent with the mandated appropriation beginning that year. This estimate reflects the cost of hiring one regular grants manager to coordinate the issuance of grants and loans from the program to eligible businesses, including the management of loans that are still active following the termination of the mandated appropriation, and one contractual program administrator to provide general administrative oversight of the program while the mandated appropriation to the program is active. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular Position	1.0
Contractual Position	1.0
Salaries and Fringe Benefits	\$172,026
Operating Expenses	19,725
Remaining Balance for Distribution/Other Purposes	<u>9,808,249</u>
Total FY 2028 State Expenditures	\$10,000,000

Future year expenditures reflect (1) annual increases and employee turnover; (2) annual increases in ongoing operating expenses; and (3) the termination of the contractual employee in fiscal 2033. Approximately \$9.8 million remains available each year through fiscal 2032 for other purposes; this analysis assumes all of that funding is expended

each year. To the extent two positions are insufficient to administer the program and fund, Commerce can use a portion of the residual special funds for that purpose.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

While program funding is mandated for five years only, the board, program, and special fund are permanent. Accordingly, it is assumed that general fund expenditures are likely to continue to be needed in fiscal 2033 and beyond to maintain funding for the regular employee.

Small Business Effect: Small businesses benefit to the extent they are eligible for and secure grants or loans under the program – or receive other types of assistance. While the bill does not limit such businesses to the Northeast Baltimore area (which may include Baltimore City and/or Baltimore County), unless the board designates additional areas for program eligibility, the benefits are focused on businesses in Northeast Baltimore.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Baltimore City; Department of Commerce; University System of Maryland; Morgan State University; Department of Budget and Management; Maryland Department of Labor; Department of Legislative Services

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caw/ljm

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Appendix – Maryland’s Prevailing Wage Law

Contractors and subcontractors working on eligible public works projects in Maryland, including mechanical service contractors that are part of public works projects, must pay their employees the prevailing wage rate. “Public works” are structures or works, including a bridge, building, ditch, road, alley, waterwork, or sewage disposal plant, that are constructed for public use or benefit or paid for entirely or in part by public money.

Eligible public works projects are:

- those carried out by the State;
- any public work for which at least 25% of the money used for construction is State money;
- specified projects in tax increment financing districts if the local governing body approves of the application of prevailing wages; and
- construction projects by investor-owned gas and/or electric companies involving any underground gas or electric infrastructure.

Applicability in Maryland

Generally, any public works contract valued at less than \$250,000 is not required to pay prevailing wages. However, the prevailing wage law was amended in 2022 to include mechanical service contracts valued at more than \$2,500. Mechanical service contracts are defined as contracts for (1) heating, ventilation, and air conditioning, including duct work; (2) refrigeration systems; (3) plumbing systems, as specified; (4) electrical systems, as specified; and (5) elevator systems, as specified.

The State prevailing wage rate also does not apply to (1) any part of a public works contract funded with federal funds for which the contractor must pay the prevailing wage rate determined by the federal government; (2) specified construction projects carried out by public service companies under order of the Public Service Commission (except the underground projects mentioned above); or (3) local House or Senate initiatives that receive State funds in the capital budget.

Prevailing wages are wages paid to at least 50% of workers in a given locality who perform the same or similar work on projects that resemble the proposed public works project. If fewer than 50% of workers in a job category earn the same wage, the prevailing wage is the rate paid to at least 40% of those workers. If fewer than 40% receive the same wage rate, the prevailing wage is calculated using a weighted average of local pay rates. The State Commissioner of Labor and Industry is responsible for determining prevailing wages

for each public works project and job category based on annual wage surveys, in which contractors and subcontractors working on both public works and private construction projects may participate.

The University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland, and the Maryland Stadium Authority (MSA) are all exempt from the prevailing wage law. However, USM and MSU advise that they voluntarily comply with prevailing wage requirements for contracts that exceed the \$250,000 threshold. MSA largely administers its own prevailing wage program, using wage rates borrowed from the commissioner's annual wage survey.

Enforcement

The commissioner has the authority to enforce contractors' compliance with the prevailing wage law, including issuing a stop work order if the commissioner makes an initial determination that a contractor or subcontractor may have violated the prevailing wage requirements. Contractors found to have violated the prevailing wage law must pay restitution to the employees and liquidated damages to the public body in the amount of \$20 a day for each worker who is paid less than the prevailing wage, or \$250 per worker per day if the employer knew or reasonably should have known of the obligation to pay the prevailing wage. If an employer fails to comply with an order by the commissioner to pay restitution, either the commissioner or an employee may sue the employer to recover the difference between the prevailing wage and paid wage. The court may order the employer to pay double or triple damages if it finds that the employer withheld wages or fringe benefits willfully and knowingly or with deliberate ignorance or reckless disregard for the law.

The Governor must include at least \$385,000 in the budget each year for the Prevailing Wage Unit within the Maryland Department of Labor (MD Labor).

The number of prevailing wage projects rose dramatically following the Great Recession and has remained high each year since. MD Labor recently developed and unveiled a new pay log system, which provides more accurate tracking of prevailing wage projects than its previous database. Using the new system, MD Labor advises that, during fiscal 2025, its Prevailing Wage Unit monitored 889 projects, up from the 816 projects in fiscal 2024 and 757 projects in fiscal 2023, and still significantly more than the 496 projects reported in fiscal 2014.

To accommodate the increase in projects, the number of prevailing wage investigators has increased, starting with doubling investigative staff in the unit from three to six in fiscal 2016. In fiscal 2024, the legislature again increased staffing for the division allowing for eight investigators in the unit. The fiscal 2025 budget provided nine new wage and hour

positions for the division, eight of which were assigned to the Prevailing Wage Unit. As of January 2026, the unit has seven investigators, including two bilingual Spanish speakers, and two interpreters/interviewers bilingual Spanish speakers. Although the unit is currently down one investigator from the previous year, the division has received hiring freeze exemptions for its vacancies and is in active recruitment to return to full staffing levels.

History of the Prevailing Wage

The federal Davis-Bacon Act, originally enacted in 1931, requires contractors working on federal public works contracts valued at more than \$2,000 to pay their employees the prevailing local wage for their labor class, as determined by the U.S. Secretary of Labor. The general intent of the law, and similar state and local laws, is to stabilize local wage rates by preventing unfair bidding practices and wage competition. Thirty-two states and the District of Columbia currently have prevailing wage laws; since 1979, nine states have repealed their prevailing wage laws.

Maryland adopted a prevailing wage law in 1945 (Chapter 999), but it only applied to road projects in Allegany, Garrett, and Washington counties. In 1969, the statute was amended to include State public works contracts of \$500,000 or more. There have been periodic changes to the law and the definition of “prevailing wage.” In 1983, the law was broadened to include public works projects in which the State funds 50% or more of the total project costs and 75% or more in the case of public schools. Chapter 208 of 2000 reduced the prevailing wage threshold for public schools from 75% to 50% of construction costs, thereby bringing school construction projects in line with prevailing wage requirements for other public works projects. Chapters 281 and 282 of 2014 further lowered the State funding threshold for school construction projects to 25% of total construction costs, thereby requiring the vast majority of public school construction projects in the State to pay the prevailing wage, subject to the \$500,000 contract value threshold. Chapters 57 and 58 of 2021 lowered the State funding threshold for all public works projects (including school construction) to 25% of total construction costs and lowered the contract value threshold for payment of prevailing wages to \$250,000; however, legislative bond initiatives that receive State funds in the capital budget are exempt from the requirement to pay prevailing wages. As noted above, Chapter 51 of 2022 extended the prevailing wage requirement to mechanical service contracts valued at more than \$2,500.

Six Maryland jurisdictions – Allegany, Baltimore, Charles, Montgomery, and Prince George’s counties and Baltimore City – have local prevailing wage laws requiring public works projects in the jurisdiction to pay prevailing wages.

Research on the Effects of Prevailing Wage on Contract Costs

The Department of Legislative Services (DLS) has reviewed research on the effect of prevailing wage laws on the cost of public works contracts and has found inconsistent and/or unreliable results. The primary challenge confronted by all prevailing wage researchers is identifying an appropriate “control group” consisting of projects of similar type, timing, and location that do not pay the prevailing wage. In most jurisdictions that require a prevailing wage, all projects of a specified type and size are subject to it, so there is no natural control group. Some researchers have compared project costs in states or localities before and after they adopted prevailing wage requirements, but their findings are clouded by the difference in time, during which construction costs changed and other factors were not consistent. Another deficiency in the research is that it almost always relies on project bid prices (*i.e.*, the anticipated cost prior to the beginning of construction) rather than actual final costs. As most construction projects experience change orders or cost overruns affecting their cost, reliance on bid prices negatively affects the validity of the findings. Therefore, research findings related to the effect of the prevailing wage on project costs are inconsistent and often inconclusive. A similar review of research conducted by MD Labor (at the time, the Department of Labor, Licensing, and Regulation) for the Task Force to Study the Applicability of the Maryland Prevailing Wage Law also concluded that “data limitations create difficulty for researchers on both sides of the issue.”

Local school systems occasionally solicit side-by-side bids with and without prevailing wages to help them decide whether they want to accept the full State match (and, thus, be subject to the prevailing wage) or a lesser State match without being subject to the prevailing wage. Data provided to the Public School Construction Program by Anne Arundel, Carroll, Frederick, Howard, and Washington counties, from 2012 through 2015, shows that the cost differential between bids with and without prevailing wages for 266 individual bids submitted for 26 different school construction and renovation projects averaged 11.7%, with a range from 0% to 49%. As with other research data, these represent bid prices, not actual construction costs. An independent analysis of the Maryland side-by-side bid data concluded that factors other than prevailing wages, including bid timing and the level of competition for the bids, accounted for most of the differences between the prevailing wage and nonprevailing wage bids.

One area of the research in which there is a general consensus, and which is supported by the U.S. Bureau of Labor Statistics, is that labor costs represent between 20% and 30% of construction costs (with materials and site costs making up most of the rest). Therefore, a 10% gap between prevailing wages and market wages could theoretically increase total contract costs by about 2.5%, and a 20% gap in wages could increase total contract costs by about 6%. Given the empirical evidence that prevailing wages tend to be higher than nonprevailing wages and that labor costs are a significant portion of overall project costs, DLS believes that it is reasonable to expect that the prevailing wage requirement adds

between 2% and 5% to the cost of a public works project. Given the inconsistency and inconclusiveness of the empirical research, however, actual effects may vary by project, with some projects exhibiting higher cost differences and others experiencing negligible differences.