
February 28, 2025

The Honorable Joseline A. Pena-Melnyk
Chair, Health and Government Operations Committee
241 Taylor House Office Building
Annapolis, Maryland 21401

Re: Letter of Information – House Bill 957 – State Procurement – Worker Residency Requirements

Dear Chair Pena-Melnyk and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on House Bill 957 and provides the following information for the Committee's consideration.

HB 957 would require that covered contractors awarded State-funded projects above \$5 million to ensure that the following are performed by State residents: at least 20% of journey worker hours, at least 51% of skilled worker hours, at least 70% of common labor worker hours, at least 60% of apprenticeship hours, and at least 35% of all apprenticeable worker hours. Contractors awarded State-funded projects between \$300,000 and \$5 million shall ensure that the following are performed by State residents: at least 51% of the total number of new employees and new apprenticeships, and at least 35% of apprenticeship hours. A contractor that fails to meet these requirements shall be liable for an amount equal to 0.125% of the total direct and indirect labor costs of the contract for each percentage point by which the contractor fails to meet the applicable requirement.

Maryland is a small state with numerous neighboring states and Washington, DC, where there is a blended workforce for many companies. Many of our contractors employ workers who reside in these neighboring states, and many construction firms employ Maryland residents who perform work in neighboring states. The effects of this bill would be greater for projects on the Eastern shore and in Western Maryland, where contractors are limited and tend to have residents from neighboring states as employees.

HB 957's requirements could further restrict our limited pool of contractors. Requiring contractors to employ Maryland residents could lead to an increase in overall bid prices. MDOT is also concerned that these requirements could apply to contracts that are partially federally-funded – the provision could impact federal funding for these projects. Finally, it should be noted that HB 957 could trigger the application of reciprocal preferences against Maryland companies bidding in other states, as the application of these preferences are often triggered when the home state of the out-of-state contractor has implemented its own preference, as is the case in this bill.

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The Maryland Department of Transportation looks forward to continued collaboration with the sponsor on House Bill 957 and respectfully requests the Committee consider this information when deliberating this bill.

Respectfully submitted,

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