STATE OF MARYLAND
OFFICE OF THE GOVERNOR

LARRY HOGAN
GOVERNOR

March 27, 2019

The Honorable Thomas V. Mike Miller, Jr.
President of the Maryland Senate
H-107 State House
Annapolis, MD 21401

The Honorable Michael E. Busch
Speaker of the Maryland House of Delegates
H-101 State House
Annapolis, MD 21401

Dear President Miller and Speaker Busch:

In accordance with Article II, Section 17 of the Maryland Constitution, I have vetoed Senate Bill 280 and House Bill 166 - *Labor and Employment - Payment of Wages - Minimum Wage (Fight for Fifteen)*.

If enacted, Senate Bill 280 and House Bill 166 would cause a dramatic 48% increase in our minimum wage to $15, which could cost us jobs, negatively impact our economic competitiveness, and devastate our state's economy. Normally, we have been able to come together to achieve bipartisan solutions, but this legislation misses the mark and entirely disregards my common sense compromise proposals.

During the time I've been Governor, Maryland's minimum wage has increased four years in a row by nearly 40% to $10.10, which is by far the highest in the region and one of the highest in the nation. If the minimum wage increases to $15 per hour, small businesses would be facing a 48% increase in costs, which would make Maryland a much more expensive place to do business.

In the spirit of compromise, I provided the General Assembly with several reasonable options that would have provided for an increase in the minimum wage but not negatively impact jobs and businesses in Maryland. Unfortunately, those efforts were completely ignored. I proposed a manageable, phased increase of the minimum wage by two dollars to $12.10 by the year 2022. I also proposed that the legislature attach a trigger that would make any further increases above $12.10 effective only if our surrounding states reached a combined average of 80% of our wage. I proposed including Virginia, Delaware, West Virginia, Pennsylvania, and the District of Columbia in this calculation.

In addition, I proposed that we differentiate the minimum wage increase to account for geographical differences. This would have been a more rational, objective system that would recognize local economic conditions. Finally, I proposed a fair and more effective way to help those who are struggling to make ends meet by increasing the state Earned Income Tax Credit to 60% of the federal wage.

When I came into office in 2015, Maryland's economy was suffering. We had lost over 100,000 jobs, many to surrounding states. Forty-three consecutive tax increases contributed to a crisis of confidence in many businesses, large and small. Working together, we've been able to turn things around. We've grown our economy and have done much to restore confidence in the economic future of our state. We simply cannot afford to turn back now when we still have much left to do.

I think we all share the goal of helping working families enjoy the prosperity of our state, and here again, we have much more work to do. I would submit to you that no matter how laudable the goal, we must carefully consider the policy implications of a dramatic and untested increase in the minimum wage.

A recent study on the issue of a $15 minimum wage concluded that Maryland private sector employment would be reduced by over 99,000 jobs and our state's economic output would decline by more than $61 billion over the next decade. This same report estimates that more than half of the job losses would be in small businesses. I am extremely concerned that a dramatic and geographically disproportionate increase in our minimum wage will negatively impact our competitiveness and harm our state's economy.

By adding a provision that the Board of Public Works may suspend the proposed increases one time, the legislature clearly recognizes that a rapid increase in our minimum wage to $15 will cause a negative outflow of jobs. Regretfully, Senate Bill 280 and House Bill 166 don't account for the vast difference between the wage that you contemplate and those of our chief competitors: Virginia, Pennsylvania, West Virginia, and Delaware. Small businesses faced with the choice between a $7.25 wage in Virginia or $15 in Maryland will be forced to create jobs in the lower cost location and possibly reduce jobs or eliminate operations in Maryland.

Making Maryland's minimum wage more than double that of Virginia could be too much for our economy to bear. How can we place Maryland's workers at risk and Maryland businesses at so much of a disadvantage? Baltimore City Mayor Catherine Pugh expressed similar misgivings when she vetoed a $15 minimum wage in Baltimore saying, "We don't want to be the hole in the doughnut." The Mayor's logic is the perfect analogy to the state as a whole, given the much lower minimum wage mandates in all of the states surrounding Maryland.

We shouldn't undermine our economic success and consign tens of thousands of vulnerable Maryland citizens to unemployment just so we can join a "Fight for Fifteen" movement. What's worse, these jobs would come from the ranks of the working poor, who would lose hours, benefits, and their livelihoods. Just as the minimum wage would cost jobs and deny those who need them most an entry into the labor market, the gains from a minimum wage increase are projected to be unevenly distributed.

I remain committed to continuing to improve Maryland's business climate and supporting hardworking Marylanders. This legislation does not get us there. One thing I know for sure is that

Marylanders do not want to return to the days of out-of-control spending, crippling tax hikes, and job loss. Now is not the time to reverse course and put Maryland back on the previous path to economic stagnation and decline.

For these reasons, I have vetoed Senate Bill 280 and House Bill 166.

Sincerely,

Lawrence J. Hogan, Jr.
Governor