



LARRY HOGAN
GOVERNOR

STATE OF MARYLAND
OFFICE OF THE GOVERNOR

March 8, 2019

The Honorable Thomas V. Mike Miller, Jr.
President
Maryland State Senate
H-107 State House
Annapolis, MD 21401-1991

The Honorable Michael E. Busch
Speaker
Maryland House of Delegates
H-101 State House
Annapolis, MD 21401-1991

Dear Mr. President and Mr. Speaker:

As you know, when I came to office in 2014, 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. Now is not the time to reverse course and put Maryland back on the previous path to economic stagnation.

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. Although it appears that a few of the most unpalatable anti-business provisions have been removed, there are many troubling items in these bills that I fear will be detrimental both to our economic future and the very people that we would like to help.

While I've been Governor, Maryland's minimum wage has increased by almost 40% to \$10.10 - the highest in the region. Were the minimum wage to increase to \$15 per hour, our small businesses would be facing an additional 48% increase -- costs that would make Maryland a much more expensive place to do business. One 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, the bills that I've seen emerge so far, still 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.

You know that I'm fond of catchy slogans, but 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. So many economic studies have concluded that an increase in the minimum wage to this amount would cost tens of thousands of jobs. 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. It is projected that only 20% of any new income would go to those below the poverty line, the rest would go to individuals above poverty.

Accordingly, I would like to offer a compromise to move this discussion forward. Despite my reservations about a dramatic increase in the minimum wage, I could support a reasonable, phased increase of the minimum wage by two dollars to \$12.10 by the year 2022 if it were amended to include the following provisions:

- First, the General Assembly should be extremely careful to not allow an increase to place us so far above our regional competitors. As this catchy sloganeering has been relatively untested, we certainly don't know what will happen to jobs when there is such a profound disparity between states and we certainly can't afford to experiment. That is why I would like to see the legislature attach a trigger to this legislation that would make any further increases above \$12.10 effective only if our surrounding states reach a combined average of 80% of our wage. I would propose that we include Virginia, Delaware, West Virginia, Pennsylvania, and the District of Columbia into this calculation. I would note that all of these states with the exception of the District currently have a wage substantially lower than our current minimum of \$10.10 and far below the proposed rate of \$15.
- We've recognized in any number of policies and legislation that Maryland is a diverse state with an equally diverse economy. Our living wage statute, More Jobs for Maryland, prevailing wage, and many other programs account for regional differences. Therefore, I would propose that we differentiate the minimum wage increase to account for these geographical differences. New York and Oregon currently do this and so should we. We should work out an objective system

that would recognize local economic conditions, but which would be simple to implement and regulate; businesses already navigate complex and burdensome regulatory requirements across the country. A regional minimum wage in Maryland should not be a bureaucratic or administrative nightmare for companies that want to do business across our state. Towards this end, your legislation should also consider additional provisions to account for the differences in temporary and seasonal workers.

- Finally, so many of the benefits of an increased wage accrue to those who are already above poverty, while the job loss disproportionately harms those who can least afford it. I believe that a fair and more effective way to help those who are struggling to get by without losing jobs would be to increase the state Earned Income Tax Credit to 60% of the federal wage. In 2015, we passed legislation to increase this tax credit to provide more discretionary income to working families. This further expansion would directly target substantial benefits to the working poor while not harming businesses and jobs that would not survive such a dramatic and geographically isolated increase. As you know, your current proposed legislation would cost the state taxpayers more than \$250 million to subsidize community service providers who rely on the state for funding. By cutting back your proposed increase, we can easily afford to offer this well documented and effective relief to working families.

I hope you will consider these suggestions in the remaining weeks of the legislative session. My team, led by Commerce Secretary Kelly Schulz and Chief Legislative Officer Chris Shank is ready and willing to engage with you and provide you with any additional information that you may require. I know that we all share the goals of uplifting those citizens who need our help, making Maryland more prosperous, and expanding our economic growth. It is my hope that we can work together on these bipartisan common sense compromise solutions.

Sincerely,



Larry Hogan
Governor