Testimony to the Senate Finance Committee
SB 555: Fair Wage Act of 2023
Position: Favorable

March 2, 2023

The Honorable Melony Griffith, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Finance Matters

Honorable Chair Griffith and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing in strong support of SB 555 and urge a favorable report.

SB 555 will increase the minimum wage in Maryland to $15 by October 2023 and index the minimum wage to the Consumer Price Index (CPI) beginning in 2025.

Much of our work around economic rights concerns the struggle of low-wage households to meet their basic needs as well as the criminalization of poverty that occurs when households fall behind on their expenses. Raising the minimum wage to $15 would assist financially fragile families by increasing their household income.

This increase is particularly important right now as the price of food, utilities, gas, auto insurance, and rent have soared over the past 12 months. Rent has increased 12% on average over the past few months, with food prices in Baltimore rising at the same rate, and car insurance soaring with an average 14% increase nationally with some areas seeing a 20% increase in car insurance rates.

These skyrocketing prices strain already struggling households with low-income communities and communities of color bearing the brunt of these costs. The surging prices we've seen over the past twelve months illustrate the importance of indexing the minimum wage to the CPI. Wages

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are not keeping pace with inflation. So in real terms, families are falling behind.

The CPI measures change over time in the prices paid for a basket of consumer goods and services. SB 555 will peg changes in Maryland's minimum wage to increases in the CPI, a practice known as indexing wages.

Today, nine states (Alaska, Arizona, Colorado, Maine, Minnesota, Montana, Ohio, South Dakota and Washington) index wages to the CPI. Indexing the minimum wage assures that low-wage workers do not lose ground to rising prices—ground they cannot -afford to lose—and offers their employers predictable and steady changes in the legal standard.

Indexing is already used for some federal benefits such as SNAP as well as minimum wage increases for some workers as part of federal contracts.

While opponents may argue that indexing the minimum wage might drive wages up too high, resulting in job loss and inflation, the facts don't bear this out. According to the Economic Policy Institute during recessions, indexing will typically cause only a single, small, nominal minimum wage increase.

States that already index minimum wage to the CPI have not seen any negative effects and in some cases saw lower inflation than states that do not index wages.

To increase assets for struggling families and ensure that wages keep up with inflation, I strongly support SB 555 and urge a favorable report.

Best,

Marceline White
Executive Director

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