

MHILA
Maryland Hotel
Lodging Association

SB 555 – Fair Wage Act of 2023
Senate Finance Committee
March 2, 2023
Position: Oppose

Dear Chair Griffith and Members of the Committee:

As the sole statewide trade association dedicated to advocacy for Maryland’s lodging industry, with more than 25,000 employees at 750 hotels, we urge an unfavorable report on SB 555 for several reasons.

Just a few years ago, in 2019, legislation was passed and enacted regarding the state’s minimum wage gradually increasing over a period of nearly 6 years (for large employers) to \$15 per hour.

Since then, the lodging industry has been among those most severely impacted by the pandemic. According to the American Hotel & Lodging Association’s [2023 State of the Industry Report](#), while hotels continue to make significant strides toward recovery, “real revenue recovery” will take several more years.

2023 budgets that include labor projections, *based on current minimum wage law*, have already been established and presented to hotel investors and financial institutions. Increasing minimum wage mid-year will have a negative impact not only on our members’ profitability amid recovery, but quite possibly will affect the debt service ratios that are established in existing mortgage agreements. If these ratios are negatively affected, higher interest rates on loans could be triggered or other penalties may be imposed (i.e. demand for cash to be placed in escrow until proper ratios are achieved, canceling of a loan).

Our members are already dealing with the skyrocketing costs of doing business, which cannot be offset, dollar for dollar, by passing it on to guests. Therefore, while revenues are trending in a positive direction, our bottom-line profitability would be greatly impacted and further reduced with an unanticipated increase in minimum wage this year.

Additionally, any future “automatic wage increases”, based on CPI or otherwise, are problematic and flawed. Basic economics teaches us that economies experience peaks and valleys, times of boom and recession, and periods of inflation and stagflation. Currently, we are at a point of unprecedented inflation that has our economy on the brink of recession. Prudence needs to be demonstrated by the Maryland General Assembly as economists continue to evaluate and debate the link between increased wages and inflation.

Ultimately, passage of SB 555 would circumvent the current law and the negotiations that went into it on behalf of the business community, significantly jeopardizing trust between the private sector and government.

For the reasons expressed in this letter, the Maryland Hotel Lodging Association respectfully requests an Unfavorable Report on SB 555.