



SENATE FINANCE COMMITTEE

Senate Bill 823

No Tax for Tips Act

March 5, 2025

Letter of Information

Chair Beidle, Vice Chair Hayes and members of the committee, thank you for the opportunity to provide comment on Senate Bill 823. The bill establishes consumer protections related to service fees charged by food service facilities, but more specifically, the bill raises the state's minimum wage rate.

The University System of Maryland (USM) is comprised of twelve distinguished institutions, and three regional centers. We award eight out of every ten bachelor's degrees in the State. Each of USM's 12 institutions has a distinct and unique approach to the mission of educating students and promoting the economic, intellectual, and cultural growth of its surrounding community. These institutions are located throughout the state, from Western Maryland to the Eastern Shore, with the flagship campus in the Washington suburbs. The USM includes three Historically Black Institutions, comprehensive institutions and research universities, and the country's largest public online institution.

The USM's regular-status employees are already paid wages above the \$20/hour threshold proposed by this bill. The impacts of raising the minimum wage, as proposed, would be tied to the USM's undergraduate student workers, who are often hired at the minimum wage. For example, Towson University (TU) relies heavily on student workers across multiple divisions. TU estimates the incremental cost of raising the current minimum wage to \$17/hour would be \$4.7M; to \$18.50/hour, another \$4.8M. The final increase to \$20/hour would add \$4.9M, for a total cost to TU of \$14.4M. Salisbury University (SU) would similarly be impacted. SU estimates the fiscal impact of raising the minimum wage to \$20/hour would be more than \$3M.

Most of the USM's institutions polled noted similar impacts.

Lastly, as you know, the USM's proposed budget reduction for FY26 equates to \$111 million. This is in addition to last year's cut and another mid-year cut to the FY25 budget leaves the USM down \$180 million cumulatively in FY25 and FY26. Adding additional policies at this time creates additional challenges for our campuses at an already difficult time managing budget reductions as well as the uncertainty of new policies and executive orders being imposed by the federal government.

Thank you for allowing the USM to provide this information regarding Senate Bill 823.

