MARYLAND HOTEL LODGING ASSOCIATION

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SB 886 - Consumer Protection and Labor and Employment - Food Service Facilities and Minimum Wage
Finance Committee
March 11, 2026
Position: UNFAVORABLE

MHLA is the sole statewide organization dedicated to advocacy on behalf of Maryland's lodging industry. Our industry is a powerful economic engine - ***765 hotels*** *support more than* ***115,000 jobs*** *statewide, generate* ***$7.2 billion in wages and salaries****, contribute* ***$2.4 billion in state and local tax revenue****, and drive* ***$10.6 billion in guest spending*** *that strengthens communities across Maryland.*

The Maryland Hotel Lodging Association (MHLA) respectfully **opposes Senate Bill 886**.

We share the Committee's concern about affordability. Maryland families are facing rising housing, food, and transportation costs. However, the proposed increase to a $25 minimum wage - combined with elimination of the tip credit and the youth wage - and automatic CPI indexing, would create significant unintended consequences for workers, small businesses, and state revenues.

Hospitality is a gateway industry. Many hotel employees are first-time workers, immigrants, or individuals without four-year degrees. **The industry provides rapid pathways for advancement:**

- More than 50 percent of hotel General Managers began in entry-level roles.
- On average, entry-level employees receive a raise within 9-12 months.
- Approximately 80 percent are eligible for promotion within their first year.

Compensation decisions are part of a broader business strategy. Pay varies based on role, experience, and market conditions. Hotels compete aggressively for talent, and strong-performing properties in high-demand markets can and do pay higher wages. However, **continually raising the statutory wage floor compresses pay scales, narrows differentiation between entry-level and supervisory roles, and risks reducing hiring opportunities for those seeking their first job.**

The elimination of the youth wage and the tip credit is particularly concerning. **Under current Maryland law, tipped workers are already guaranteed the full minimum wage since employers must make up any shortfall.** Many tipped employees in hospitality earn well above the standard minimum wage. Eliminating the tip credit would dramatically restructure compensation models for certain hotel positions without clear evidence that it would increase take-home pay.

The bill would also require automatic annual increases based solely on CPI beginning in 2033. Automatic indexing removes legislative oversight and limits the General Assembly's ability to respond to economic downturns or industry-specific challenges.

Maryland's lodging industry remains in recovery and continues to underperform relative to both national and regional benchmarks[1]. According to CoStar, in 2025 Maryland hotels posted average occupancy of **60.8%,**

[1] CoStar South Atlantic Region: Delaware, DC, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

compared to **63.8% regionally**, and Revenue per Available Room (RevPAR)[2] of **$86.31**, significantly below the regional average of **$102.52**. That performance gap represents lost revenue that Maryland hotels cannot easily recapture.

At the same time, inflation has continued to outpace revenue growth. Over the past five years, hotel operating costs have increased at **four times the rate of revenue growth**, placing intense pressure on already narrow profit margins. While top-line revenues have modestly improved, those gains have been largely offset — and in many cases erased — by escalating expenses. **Hotels have absorbed substantial increases** in labor and payroll costs, property and liability insurance premiums, energy expenses, professional services, and tariff-related price increases on goods and supplies. In addition, compliance with Maryland's Building Energy Performance Standards (BEPS) requires significant capital investments and ongoing operational costs unique to this state.

Taken together, these **mounting financial pressures leave Maryland hotels with little capacity to absorb further dramatic increases in mandated labor costs**.

More than 60% of hotels in the US are owned by small business owners. Labor already represents more than 50% of the expenses within hotel departments and more than 30% of total revenue. More than 60% of MHLA members fall into the select service category with an average of 110 rooms. A conservative estimate is that raising the minimum wage to $25 would **increase their payroll costs by at least $150,000 annually**, before accounting for payroll taxes and wage compression adjustments. When supervisory wage adjustments and related payroll taxes are included, **total labor cost increases could increase more than 20% per property per year**.

When operating costs rise faster than revenue, businesses face difficult decisions: raise room rates, reduce staffing hours, delay renovations, automate services, or eliminate entry-level positions.

Maryland's hotel industry supports approximately **115,000 jobs statewide** and generates over **$2.4 billion in state and local tax revenue annually**, including occupancy taxes that fund local priorities such as education, public safety, and infrastructure. Even a modest contraction of hotel employment or visitor spending could result in a loss of tax revenue at a time when it is critically needed by state and local government.

We believe there is a balanced path forward - one that promotes wage growth alongside job growth and maintains Maryland's competitiveness within the region. Policies that significantly outpace neighboring states risk shifting tourism, conventions, and business travel elsewhere.

For these reasons, the Maryland Hotel Lodging Association respectfully requests an **Unfavorable Report** on **SB 886**.

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[2] RevPAR is a metric that combines pricing power (average daily rate) and demand (occupancy)