

Written Testimony in Opposition to Senate Bill 886

Living Wage for All Act

Senate Finance Committee

March 2026

Position: Oppose

Chair Beidle, Vice Chair Hayes, members of the Senate Finance Committee and members of the Frederick County delegation:

Thank you for the opportunity to submit written testimony in opposition to Senate Bill 886.

While improving economic opportunity for workers is an important goal, SB 886 represents an extreme and economically risky policy shift that would significantly harm Maryland's small businesses, reduce job opportunities and place Maryland at a severe competitive disadvantage relative to neighboring states.

Maryland has already enacted substantial wage increases in recent years, including the phased implementation of a \$15 minimum wage statewide. SB 886 would go dramatically further by mandating a **67 percent increase to \$25 per hour**, eliminating the tip credit and embedding wage policy in the Maryland Constitution. These changes would fundamentally reshape Maryland's labor market with far-reaching consequences.

The proposed wage mandate is economically unsustainable

SB 886 proposes the following schedule:

- \$17 per hour in 2027
- \$20 per hour in 2028
- \$22.50 per hour in 2029
- \$25 per hour in 2030
- \$25 per hour for small employers by 2032

This represents one of the most aggressive minimum wage increases proposed anywhere in the United States. While Maryland is known at being first in many categories, this is not one we can afford.

For many employers, particularly restaurants, childcare providers, retail businesses and small service companies operating on narrow margins, absorbing a labor cost increase of this magnitude in such a compressed timeframe is not feasible.

Labor costs do not increase in isolation. When entry-level wages increase dramatically, it creates **wage compression throughout the organization.**

For example:

- An entry-level worker currently earning \$15 per hour would rise to \$25.
- A shift supervisor earning \$22 per hour would suddenly be paid less than the employees they supervise.
- To maintain pay hierarchy, that supervisor may need to earn \$30 or more.

As a result, employers are not facing a 67 percent increase in payroll costs. The real increase often cascades throughout the entire pay structure.

Maryland would become an extreme outlier among neighboring states

Maryland businesses do not operate in a vacuum. Employers located near state borders compete directly with businesses in neighboring jurisdictions.

Current minimum wages in nearby states include:

- **Pennsylvania: \$7.25 per hour**
- **West Virginia: \$8.75 per hour**
- **Virginia: \$12.00 per hour**

By comparison, SB 886 would require Maryland employers to pay **\$25 per hour**, more than double the minimum wage in several neighboring states.

This policy would place Maryland businesses at a severe competitive disadvantage and create strong incentives for businesses to relocate, expand elsewhere or shift hiring across state lines.

Significant job losses are a likely outcome

Economic analysis suggests the impact of this proposal could be substantial.

The National Federation of Independent Business estimates that policies similar to those proposed in SB 886 could result in **up to 84,000 lost jobs in Maryland by 2035** and **approximately \$15 billion in lost economic output**, with small businesses bearing roughly half of the job losses.

Source: <https://www.nfib.com/news/news/maryland-could-lose-up-to-84k-jobs-due-to-minimum-wage-proposal/>

When labor costs rise dramatically, employers must make difficult decisions. These often include:

- Reducing hiring
- Cutting employee hours
- Delaying expansion plans
- Increasing automation
- Raising prices for consumers
- Relocating operations

None of these outcomes benefit Maryland workers or communities.

Eliminating the tip credit would destabilize Maryland's restaurant industry

SB 886 would also eliminate Maryland's tip credit, requiring employers to pay the full minimum wage to tipped employees regardless of gratuities received.

Maryland's current system allows tipped workers to earn a base wage plus tips, provided their total earnings equal at least the state minimum wage. Many tipped employees in busy restaurants earn far more than the minimum wage under this system.

Eliminating the tip credit would significantly increase labor costs for restaurants and hospitality businesses while also introducing uncertainty for employees who currently benefit from the tipping model.

Other jurisdictions that have attempted similar policies have experienced restaurant closures, reduced hours and significant operational challenges.

Maryland's hospitality industry remains a vital economic driver and major employer across the state. Policies that destabilize this sector should be approached with extreme caution.

SB 886 removes opportunities for young workers

The bill also eliminates the current provision allowing employers to pay **85 percent of the minimum wage to employees under the age of 18**.

Youth wage provisions exist for a reason. They encourage employers to hire teenagers who may be entering the workforce for the first time and developing basic workplace skills.

Eliminating this option would increase the cost of hiring inexperienced workers and could reduce entry-level job opportunities for young Marylanders.

Embedding wage policy in the Maryland Constitution is unprecedented

Perhaps the most troubling provision of SB 886 is the proposal to embed minimum wage policy in the **Maryland Declaration of Rights**, effectively establishing the minimum wage as a constitutional right.

If adopted, any future changes to wage policy would require a statewide referendum rather than legislative action.

Economic policy must remain flexible so lawmakers can respond to recessions, inflationary pressures and changing labor markets. Locking complex wage policy into the state constitution would remove that flexibility and prevent policymakers from making timely adjustments when economic conditions change.

State and local government costs would also increase

SB 886 would also impose significant costs on state and local governments as public sector employers are required to raise wages and associated overtime costs.

These increased expenditures ultimately fall on taxpayers and could lead to reduced public services, higher taxes or budget reallocations at a time when many jurisdictions are already facing fiscal constraints.

Summary

Maryland has already taken meaningful steps to increase wages for workers. SB 886 goes far beyond a reasonable policy adjustment.

By mandating a rapid increase to \$25 per hour, eliminating the tip credit, removing youth wage provisions and embedding wage policy in the state constitution, this bill introduces significant economic risks that could undermine job growth, small business stability and Maryland's long-term economic competitiveness.

For these reasons, I respectfully urge the committee to issue an **unfavorable report on Senate Bill 886**.

Thank you for your consideration.

Respectfully submitted,

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