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The Honorable Pamela Beidle, Chair
Senate Finance Committee
3 East Miller Senate Office Building
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Thank you for the opportunity to submit written testimony in **opposition** to **Senate Bill 886**, which would mandate a statewide minimum wage of **$25 per hour**, eliminate subminimum wages, and embed this framework into the Maryland Constitution. My perspective on this issue is informed from two perspectives: as a Maryland resident and as the President and CEO of a Maryland workforce development non-profit providing services within Washington, Allegany, and Garrett counties.

Leading this organization, I share the goal of economic dignity and opportunity for all Marylanders. However, based on decades of workforce development experience and a substantial body of economic evidence, I believe these bills would **harm the very people they intend to help**, while jeopardizing the financial sustainability of nonprofits that provide job training, transitional employment, and pathways to long-term self-sufficiency.

Raising the Minimum Wage Does Not Fix Affordability—and Will Make It Worse

Currently, high living costs in Maryland are driven by a multitude of factors including **housing shortages, energy prices, healthcare costs, childcare expenses, and inflation**, not by wage floors alone. Large, mandated wage increases do not address these structural cost drivers.

The **Congressional Budget Office (CBO)** consistently finds that while higher minimum wages increase earnings for some workers, they also **reduce employment for others**, raise consumer prices, and reduce overall economic output. In CBO analyses of significant wage increases, job losses are a predictable tradeoff, with displaced workers experiencing a complete loss of income rather than higher pay 12.

Additionally, research summarized by the **U.S. Bureau of Labor Statistics** shows that employers respond to higher mandated wages not only through reduced hiring, but also through **higher prices, reduced hours, reduced benefits, and increased automation**—all of which worsen affordability for low-income households who spend a higher share of their income on basic services 3.

In short, a $25 minimum wage risks **fueling inflationary pressure**, reducing service availability, and increasing the cost of goods and services without addressing the root causes of Maryland's affordability crisis.

Turning the Minimum Wage into a "Living Wage" Excludes People from the Workforce

Minimum wage jobs are often **entry points** into the labor market—not final destinations. They are especially critical for:

- Teenagers and young adults entering the workforce
- Older adults and retirees seeking part-time or supplemental income
- Individuals with limited work history or barriers to employment
- First-time workers gaining soft skills and job experience

A substantial body of economic research shows that **large minimum wage increases reduce employment opportunities for young and inexperienced workers**. A comprehensive review by **IZA World of Labor** finds that higher minimum wages reduce youth employment, delay workforce entry, reduce on-the-job training, and lower lifetime earnings for those who are priced out of the labor market 4.

Studies focused specifically on teenagers consistently show that higher wage floors increase unemployment among young workers by increasing the number of job seekers while reducing the number of entry-level jobs available 5.

For nonprofit social enterprises, which intentionally create **transitional and supported employment opportunities**, a $25 wage floor would force organizations to **serve fewer people**, not more - excluding those who most need a first chance to build work history and skills.

A $25 Minimum Wage Would Be Uniquely Damaging to Nonprofits

Currently in Maryland, nonprofits employ **280,000 workers full-time—nearly 13% of all non-governmental workers** in Maryland—and more than every other major private industry in the state. Increasing the minimum wage to $25 puts this entire critical ecosystem at risk as nonprofits operate under fundamentally different economic constraints than for-profit businesses. Unlike private firms, nonprofits:

- Cannot raise prices/fees freely
- Do not generate substantial profits to buffer higher costs
- Depend on donations, grants, and fixed public contracts
- Operate in highly labor-intensive human-service sectors

Peer-reviewed research from the **National Bureau of Economic Research (NBER)** finds that **large minimum wage increases lead to significant employment reductions in the nonprofit sector**, as well as declines in the number of nonprofit organizations themselves 6.

Further analysis summarized by the **Cato Institute**, drawing on IRS and BLS data, shows that legislative minimum wage increases of $2 or more result in:

- Employment declines of **2.7% to 9.1%** in nonprofits
- Reductions in the number of nonprofit establishments

- Decreased fundraising capacity and charitable contributions with effects that worsen over time and disproportionately harm smaller nonprofits [7].

More specifically this will disproportionately affect non-profit organizations that rely on **labor-intensive operations—**such as donation processing, retail, logistics, custodial services, job coaching, and supported employment - paying fair wages paired with **training, accommodations, and career advancement pathways**. Mandating a $25 wage would potentially result in:

- Reduction in the number of individuals served
- Elimination training and support services
- Increased automation at the expense of jobs
- Closure of stores and programs that currently help people move from unemployment to independence

This would directly undermine the ability to achieve our core mission: **using work as a tool to build skills, confidence, and long-term employability**.

Conclusion

HB 1229 and SB 886 represent a well-intentioned but deeply flawed approach to economic hardship. A $25 minimum wage would:

- Fail to address the true drivers of affordability
- Exclude both valuable *and* vulnerable populations from the workforce
- Disproportionately harm nonprofits and workforce-development organizations
- Reduce services and opportunity for those who need it most

I urge you to **reject these bills** and instead pursue policies that expand housing supply, reduce cost-of-living pressures, support workforce development and job training, and preserve pathways into employment for all Marylanders. Strategies that create incentives for employers to **voluntarily** support their employees through contributions to support childcare, transportation, and other barriers to employment would be a better starting place. These could have the same net effect of putting additional dollars back into employees' pockets while also encouraging employers to help remove barriers to employment.

Thank you for your consideration and for your commitment to thoughtful, evidence-based policymaking.

Respectfully submitted,

Dr. David Shuster

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