



March 9, 2026

Written Testimony in Opposition to HB 1229 / SB 886
Minimum Wage Increase to \$25 and Elimination of the Tip Credit

Chair Beidle, Vice Chair Hayes, and Members of the Committee,

Thank you for the opportunity to provide written testimony on HB 1229 / SB 886.

My name is Kimberly Prescott. I am the founder and president of Prescott HR, a Columbia, Maryland based human resources consulting firm. For more than 25 years I have worked at the intersection of employment law, HR strategy, workplace investigations, and compliance. My firm works primarily with small and mid-sized organizations across Maryland, many of which do not have in-house HR departments. We work with a wide range of employers, including many nonprofit organizations, helping them navigate employment laws and implement workplace policies in real operational environments.

I want to start by saying that everyone supports the idea that people should earn a fair and sustainable wage. That is not the debate. The concern here is the scale, the speed, and the permanence of what this legislation proposes.

A \$25 minimum wage does not only affect entry-level workers. It triggers pay compression across the entire workforce. When the bottom of the pay scale rises quickly, employers must also increase wages for supervisors, experienced staff, and specialized roles to maintain internal equity and morale. Otherwise, organizations find themselves in a position where someone newly hired is earning nearly the same as someone who has been with the organization for years or who carries supervisory responsibility.

As a result, the real financial impact is not limited to the minimum wage. It is the entire payroll structure shifting upward.

For many of the organizations we support, particularly small businesses and nonprofit organizations, payroll is already the single largest operating expense. Nonprofits in particular operate on fixed grant funding, government contracts, and donor-supported budgets that cannot simply be adjusted overnight. Moving from \$15 to \$25 per hour over a short period represents a 67 percent increase in base wages, and when compression adjustments are layered on top of that, the total payroll impact becomes even more significant.

Another unintended consequence that deserves attention is the loss of lower-level job opportunities. Entry-level positions are often the first step into the workforce. They are where young workers gain experience, where individuals reentering the workforce rebuild their skills, and where many people from marginalized communities begin building economic mobility.

When the cost of entry-level labor increases this rapidly, employers often respond by reducing those roles, limiting hiring, consolidating positions, or investing in automation. The very jobs that provide a pathway into the workforce become harder to find. That outcome runs counter to the goal of expanding economic opportunity and attracting business to Maryland.

This legislation must also be considered in the context of the cumulative impact of employment-related legislation enacted over the past decade. Maryland employers have implemented significant changes in recent years, including increases in the minimum wage, paid sick leave requirements, family and medical leave programs, pay transparency laws, expanded reporting obligations, and other regulatory changes. Each of these policies was adopted with important goals in mind, but together they represent a growing compliance and financial burden, particularly for small organizations without large administrative infrastructures.

Many employers are doing their best to keep pace with these changes while continuing to hire and invest in their workforce. The rapid escalation proposed in this legislation adds another major layer to an already complex regulatory environment.

The proposal to eliminate the tip credit beginning in 2031 further alters compensation structures in certain industries. In many cases, tipped employees already earn well above minimum wage due to tips. Removing the tip credit shifts the entire wage burden to employers and compresses wage differentials across roles.

For small businesses and nonprofits, these combined pressures may lead to difficult choices: raising prices, reducing services, cutting staff, reducing hours, delaying expansion, or closing programs entirely.

These outcomes also stand in tension with the economic development goals that Maryland's leadership has emphasized, including supporting small businesses, strengthening nonprofit service providers, and expanding employment opportunities across the state. Policies that dramatically increase labor costs within a compressed timeframe risk making Maryland less competitive for business growth and sustainability.



Another significant concern is the provision that would automatically increase wages based on inflation beginning in 2033, combined with the proposal to place these mandates in the Maryland Constitution. This structure would remove legislative flexibility and make future adjustments extremely difficult, even if economic conditions change. Embedding detailed wage policy into the constitution limits policymakers' ability to respond thoughtfully to future economic realities.

Public policy works best when it balances the goal of improving wages with the need to preserve employment opportunities, maintain business viability, and support the organizations that serve our communities.

For these reasons, I respectfully urge the committee to carefully consider the long-term impacts of HB 1229 / SB 886 on small businesses, nonprofit organizations, employment opportunities, and Maryland's economic competitiveness.

Thank you for your time and consideration.

Respectfully submitted,

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