

Written Testimony in Opposition to HB 1229/SB 886

Constitutional Amendment to Increase Minimum Wage to \$25 per Hour and Eliminate Tip Credit

Submitted by:

Amanda Haddaway, SPHR, SHRM-SCP
Managing Director, HR Answerbox
Frederick, Maryland

Position: Opposed

Executive Summary

I respectfully submit this testimony in strong opposition to HB 1229/SB 886. While well-intentioned in its effort to support workers, this legislation would create severe, permanent and irreversible economic consequences for Maryland employers, particularly small businesses, restaurants, nonprofits and community-based organizations.

By mandating a \$25 per hour minimum wage, eliminating the tip credit and embedding automatic inflation adjustments into the Maryland Constitution, this bill would:

- Permanently increase labor costs by unprecedented levels
- Reduce employment opportunities, particularly for entry-level and early-career workers
- Force small and mid-sized employers to reduce staffing, cut services or close entirely
- Accelerate business migration to neighboring states with significantly lower labor costs
- Remove future legislative flexibility by constitutionalizing economic policy

This proposal would fundamentally alter Maryland's economic competitiveness and disproportionately harm the very communities it seeks to support.

Professional Perspective and Relevant Expertise

For more than 25 years, I have worked directly with employers across Maryland and neighboring states as an HR executive, consultant and executive coach. Through my firm, HR Answerbox, I advise organizations of all sizes, including small businesses, nonprofits and mid-market employers that represent the backbone of Frederick County's economy.

My work includes:

- Workforce planning and compensation strategy
- Advising organizations on hiring, retention and operational sustainability
- Supporting businesses navigating Maryland's regulatory environment

I see firsthand how wage mandates translate into real operational decisions affecting jobs, growth and business survival.

The Scale and Permanence of This Increase Is Economically Unsustainable

Increasing the minimum wage to \$25 per hour represents a 67 percent increase over Maryland's current minimum wage of \$15 per hour.

This is not a gradual adjustment. It is a structural overhaul of the labor market.

For employers, wages represent only a portion of the true cost of employment. When payroll taxes, unemployment insurance, workers' compensation, benefits and other statutory costs are included, the true employer cost of a \$25 per hour wage exceeds \$32 to \$35 per hour per employee.

For a small employer with just 15 hourly employees, this could increase labor costs by more than \$300,000 annually.

Few small businesses operate with margins sufficient to absorb increases of this magnitude without significant operational consequences.

Eliminating the Tip Credit Will Disproportionately Harm Restaurants and Hospitality Businesses

The elimination of the tip credit would impose particularly severe consequences on Maryland's restaurant industry.

The tip credit model allows restaurants to:

- Provide competitive total earnings for tipped employees
- Maintain pricing structures customers can afford
- Sustain staffing levels necessary to operate efficiently

Removing the tip credit will force employers to increase menu prices dramatically, reduce staffing or transition to alternative service models that reduce employee opportunities.

Many tipped employees currently earn well above minimum wage due to tipping structures. Eliminating the tip credit does not guarantee higher earnings. Instead, it risks reducing employment opportunities altogether.

Constitutionalizing Wage Policy Removes Necessary Economic Flexibility

Embedding minimum wage requirements into the Maryland Constitution is deeply concerning.

Economic policy must remain adaptable to changing economic conditions, including:

- Recessions
- Inflation fluctuations

- Industry-specific impacts
- Regional economic variation

Constitutionalizing wage policy removes the General Assembly's ability to respond responsibly to future economic realities.

Economic conditions change. Constitutional amendments do not.

This lack of flexibility introduces permanent structural risk into Maryland's economy.

Maryland Already Faces Significant Competitive Disadvantages Compared to Neighboring States

Maryland employers already operate at a cost disadvantage relative to nearby states such as Pennsylvania, West Virginia and Virginia.

Higher costs include:

- Higher wage mandates
- Higher regulatory compliance costs
- Higher tax burdens
- Higher cost of doing business overall

Employers make location decisions based on economic viability. When labor costs rise dramatically beyond neighboring states, businesses relocate, expand elsewhere or avoid Maryland entirely.

This reduces job creation, investment and economic growth within the state.

The Likely Result Will Be Fewer Jobs, Not More Economic Opportunity

Employers do not have unlimited resources. When labor costs rise dramatically, employers must adjust in one or more of the following ways:

- Hiring fewer employees
- Reducing hours
- Increasing automation
- Eliminating positions
- Increasing prices
- Reducing services
- Relocating operations

- Closing entirely

These are not theoretical outcomes. They are operational realities.

Entry-level workers, young workers and those seeking to enter the workforce are often the first to be impacted.

This legislation risks eliminating the very opportunities that allow individuals to gain experience, build skills and advance economically.

Small Businesses and Nonprofits Will Be Disproportionately Harmed

Large corporations may be able to absorb or offset labor increases through scale, automation or price adjustments.

Small businesses and nonprofits do not have those options.

They operate with narrow margins and limited financial flexibility.

These organizations are essential to Frederick County's economy and community infrastructure. They provide local jobs, essential services and community engagement.

This legislation puts their survival at risk.

This Bill Creates Permanent Economic Consequences Without Adequate Economic Analysis

Before implementing changes of this magnitude, policymakers must fully understand the long-term economic implications.

This proposal creates permanent structural change without sufficient analysis of:

- Employment impact
- Small business survivability
- Regional economic competitiveness
- Industry-specific effects

Once embedded in the Constitution, these consequences cannot be easily corrected.

Recommended Alternative Approach

Rather than adopting this extreme and irreversible measure, policymakers should consider:

- Maintaining legislative flexibility for wage policy
- Conducting comprehensive economic impact studies
- Supporting workforce development and skills advancement
- Encouraging economic growth and job creation

- Supporting small business sustainability

Economic opportunity is best created through balanced, sustainable policy.

Closing Statement

Maryland's economy depends on the success of its employers, particularly small businesses, restaurants and nonprofits that serve as the foundation of our communities.

HB 1229/SB 886 would impose unprecedented, permanent and economically unsustainable labor costs while removing future flexibility to respond to economic conditions.

This legislation risks reducing employment opportunities, harming small businesses and weakening Maryland's economic competitiveness.

I respectfully urge the General Assembly to oppose HB 1229/SB 886.

Thank you for your consideration.