



## OUR MISSION:

Working to enhance the economic prosperity of greater Silver Spring through robust promotion of our member businesses and unrelenting advocacy on their behalf.

### Montgomery County Bill 35-23, County Minimum Wage - Tipped Employees: October 17, 2023

Council President Glass and esteemed members of the Council: My name is Stephanie Helsing, and I am President of the Greater Silver Spring Chamber of Commerce and despite the color choice for my suit today, I am here this afternoon to express **strong opposition** to Bill 35-23, the repeal of the tipped worker exemption. **We urge the County Council to reject this legislation that would ultimately reduce the overall earnings of tipped employees and possibly cause ripple effects that will impact multiple other industries.**

The restaurant industry has had a challenging time making up for losses over the last few years. There continue to be negatively impactful hiring challenges, and increased costs for supplies and food that have forced restaurants to raise prices to a degree never seen before, coupled with fewer people dining out, or not dining out as frequently. Still struggling under the weight of increased debt, due in large part to COVID, passing Bill 35-23 would be one more hit that most of the small, minority owned restaurants in Silver Spring could not absorb.

Please consider the following:

- 1) Passing this legislation and eliminating the tip credit would be **devastating** to full-service restaurants because restaurant owners would be forced to raise menu prices even further and/or to impose a mandatory service charge to offset higher costs.
- 2) There is no guarantee that additional menu price increases alone would cover the additional labor costs because prior substantial price increases have already reduced overall customer traffic.
- 3) This increase in costs affects not only payroll. It adds additional administrative costs, increased taxes, and an increase in workers' compensation.
- 4) The earnings potential of tipped employees would also significantly decrease if the tip credit were eliminated because, as we know, most customers do not and will not tip on top of the aforementioned service charges. **Tipped employees are among the highest earners in full-service restaurants, earning a median of \$27 per hour including tips, according to National Restaurant Association research. Bill 35-23 would effectively be taking money away from the majority of tipped employees.** To a person, no one I have discussed this bill with has expressed any support for making less money. In fact, one restaurant owner, with two establishments in Montgomery County, came to talk to me from the kitchen, where he is now back at work because he can't afford to bring on a new chef and said "**why are they doing this to us?**"
- 5) Other owners have said they can't afford this legislation and will most likely have to close their doors. This then becomes a much larger issue, impacting developers and commercial real estate, who are already struggling with unusually high vacancy rates.
- 6) Further this legislation is not being requested by any restaurant owner or restaurant employee in Montgomery County. One Fair Wage, who has requested this legislation, is located in Boston and

clearly have not taken the time to understand how the minimum wage works in Montgomery County. By Montgomery County Code Ch 27, Article XI, ALL tipped restaurant workers make minimum wage, which is currently \$14.50, \$15 or \$16.70 depending on employer size, and subject to annual CPI increases, when you factor in the mandatory **\$4 an hour wage PLUS tips**.

- 7) In fact, earlier this year, the Maryland General Assembly considered legislation (pushed by the same organization) that would have eliminated the tip credit statewide, but it FAILED. Restaurant tipped employees made it abundantly clear that keeping the tip credit and tipping system maximizes their earnings.
- 8) And finally, on October 12, A Prince George's County Council committee voted to indefinitely table a proposal to end the tipped minimum wage in the county. The Council will instead focus on ways to combat wage theft in specific restaurants. This is what we are requesting of the Montgomery County Council. If a restaurant employee reports earning less than the minimum wage, address that employer, rather than legislate an entire industry needlessly.

**For the reasons mentioned above, the Greater Silver Spring Chamber of Commerce urges the Council to listen to OUR local businesses, not an outside entity with its own agenda, and reject Bill 35-23.**