



Gaithersburg-Germantown Chamber of Commerce, Inc.

October 13, 2023

The Honorable Evan Glass
and Members of the Montgomery County Council
100 Maryland Avenue, Sixth Floor
Rockville, Maryland 20850

Dear Council President Glass and Members of the Council:

On behalf of the member businesses of the Gaithersburg-Germantown Chamber of Commerce, I am writing in very strong opposition to Bill 35-23, County Minimum Wage - Tipped Employees, the repeal of the tipped worker exemption. While our Chamber advocates for the needs and positive business climate for all businesses in the Upcounty, the GGCC chamber membership represents more than 470 businesses in the Upcounty, including over 75 in the restaurant and hospitality spaces. Approximately 50% of our members in these particular spaces are small, minority-owned businesses. The passing of this legislation will deeply hurt these businesses and their employees.

We urge the County Council to reject this legislation that would ultimately reduce the overall earnings of tipped employees, and would harm an already overstressed industry that is just now emerging from the global pandemic.

The restaurant industry has had a more challenging time in making up for what was lost over the last few years. There continue to be negatively impactful hiring challenges, as well as increased costs for supplies and food that have forced restaurants to raise prices to a degree never seen before, coupled with less and less people dining out, or not dining out as frequently. Grants and support that were offered during COVID often failed to meet the actual needs the restaurants had and many are still struggling under the weight of increased debt. Passing Bill 35-23 would be one more hit that most of our restaurants cannot absorb.

Like all workers, restaurant tipped employees **must earn** at least the full applicable minimum wage per hour in base wages plus tips, and already do. Under federal, state and local minimum wage laws, employers are required to make up any deficiencies if a tipped employee does not earn enough in base wages plus tips to make at least the full minimum wage. There is NO subminimum wage for restaurant tipped employees. The tip credit is critical to full-service restaurants because of their labor needs and slim profit margins. If a restaurant employee reports earning less than minimum wage, I encourage you to find the gap in enforcement with that employer.

Please consider the following:





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- Passing this legislation and eliminating the tip credit would be **devastating** to these full-service restaurants because restaurant owners would be **forced** to raise menu prices even further and/or to impose a mandatory service charge on customer checks to offset higher labor costs.
- 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.
- Please realize this increase in costs affects not only payroll, but also adds additional administrative costs, increased taxes, and an increase in workers compensation. We can guarantee that the majority of small and minority owned restaurants won't be able to "find" this money.
- The earnings potential of tipped employees would also significantly decrease if the tip credit were eliminated because, as we know, most customers do not tip and will not tip on top of the afore-mentioned service charges, nor do restaurants expect them to. 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. Servers at some restaurants can earn \$40 or more per hour including tips, and we have confirmed that number with many of our members. Bill 35-23 would effectively be taking money away from the majority of tipped employees.
- 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 an organization located in Boston. They are not a local organization that knows OUR businesses and they clearly have not taken the time to understand how the minimum wage works in Montgomery County. One Fair Wage misrepresents the facts and the status of tipped restaurant workers in Montgomery County in its very mission, when it once again uses the statement "sub-minimum wage for tip workers who make less than the minimum wage before tips." This sub-minimum wage simply does not exist here. 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.
- Just yesterday, the PG County Council tabled the proposal before them to end the tipped minimum wage in PG County after servers and bartenders rallied against the proposal, which would have significantly cut their wages. PG County



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has said they will instead focus on ways to combat wage theft. We urge the Montgomery County Council to take a similar approach.

With the above-mentioned points and other arguments you are hearing directly from our members, our Chamber believes that Bill 35-23 would negatively alter the restaurant industry in the County forever and be one more closed door to opportunity and growth in Montgomery County, especially for our smaller, minority owned establishments, and yet another deterrent to attracting businesses to lay a foundation and grow here. Therefore, we ask that the County Council listen to **OUR** local businesses, not an outside entity with its own agenda. Please vote against the repeal of the tipped worker exemption and oppose Bill 35-23!

Please do not hesitate to reach out with any questions.

Paula Ross
President & CEO
Gaithersburg-Germantown Chamber of Commerce