



March 27, 2024

The Honorable Arthur J. Corvese
Chairman, House Committee on Labor
Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: Opposition to HB 7531 - An Act Relating to Labor and Labor Relations – Minimum Wages

Chairman Corvese and Committee Members, thank you for the opportunity to provide written testimony regarding HB 7531. My name is Michael Monrroy, and I am the Manager of State Affairs for the National Restaurant Association.

The National Restaurant Association is the leading business association for the restaurant and foodservice industry, representing national and small restaurant businesses which employ more than 15.5 million people at more than 1 million outlets. Along with our state restaurant association partners, like the Rhode Island Hospitality Association, we represent America's restaurant industry in communities across the country.

I write to express our opposition to House Bill 7531. The current tip credit system works for tipped employees, customers, and restaurant operators.

In Rhode Island, as in all states with a tip credit, all tipped employees are guaranteed the full minimum wage under state law, but most make significantly more than the minimum. By law, tipped employees in Rhode Island must earn at least the full applicable minimum wage of \$14 per hour, made up of their base wage of \$3.89 per hour combined with tips. If a tipped employee were not to make the minimum, an employer is required by law to make up the difference. In fact, the median tipped restaurant worker in Rhode Island currently earns nearly \$29 per hour, thriving in the tip credit system and earning beyond the state's current minimum wage. People choose tipped restaurant jobs because of the earning potential.

For operators of fullservice restaurants, the tip credit is critical to their business model, in what is a very labor-intensive industry that averages thin profit margins of 3-5%. Operators cannot simply absorb a major increase in labor cost without increasing menu prices, adding service fees, or potentially eliminating server positions altogether. This added labor costs will pile on to rising food costs that are up more than 20%, and pandemic debt that 43% of operators are still paying. It's imperative that we focus on policies that help Rhode Island restaurants grow jobs in our communities, not add to ongoing stresses.

In Washington, D.C., which in May 2023, became the first jurisdiction in over 20 years to begin eliminating the tip credit, the experience has had detrimental effects on its dining scene. More than



3,000 fullservice restaurant jobs have been lost, and according to a National Restaurant Association survey, 43% of diners in Washington, D.C. are eating out less. Increased labor costs have brought on rising menu prices, added service fees, reduction of wait staff and hours, and restaurant closures. Instead, 32% of restaurant customers are choosing to dine at restaurants in tip credit friendly neighboring states like Virginia and Maryland. Late last year, similar bills to eliminate the tip credit were introduced in two Maryland counties. Tipped servers in Prince George's and Montgomery Counties, rallied in large numbers to strongly oppose the legislation. These tipped servers were ultimately successful in having both bills tabled and withdrawn.

For these reasons, the National Restaurant Association urges the committee to oppose HB 7531 and not try to solve a problem that doesn't exist. Help us protect Rhode Island's restaurant and hospitality community by preserving the state's tip credit that maximizes the earning potential of tipped restaurant employees and benefits customer and restaurant operators.

The National Restaurant Association and the Rhode Island Hospitality Association look forward to working with the Committee on all issues that impact the restaurant industry. If there are any questions we can answer or resources that we can provide, please let us know.