



NEWPORT HARBOR
ISLAND RESORT

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 H 7531*

Chairman Corvese and Members of the House Labor Committee,

As a General Manager of The Newport Harbor Island Resort located in Newport, I write to express my opposition to H7531, which would eliminate the tipped minimum wage.

There is a reason people choose tipped restaurant jobs – they know the economics are in their favor. Tipped workers take these jobs for the earning potential.

The median full-service restaurant tipped worker makes nearly \$29.00/hour in Rhode Island. In my restaurants, that number can go as high as \$60 per hour in a Resort setting.

The impact for a Resort would increase labor costs for F&B alone for the resort by 23% in wages for about 100 tipped employees. This would force increased pricing and other resort revenue streams to be reviewed to absorb the increase in labor costs. Other possible effects would be potential reduction of hours, closing of venues and the possibility of positions being eliminated to streamline expenses.

No tipped worker ever makes less than the prevailing minimum wage for any hour they work. Historically, when tip credit has been eliminated, the level of consumer tipping has dropped because of menu price increases or imposition of house service fees.

You may think by eliminating the tip credit you will be helping employees, but it will drastically change their earnings. The elimination of the tip credit will drastically change one of the fundamental business models in the industry, forcing me to quickly make changes to how we operate and force us to find ways to bear the cost of \$10.11 conservatively more per hour for

each tipped employee. This does not include the additional payroll costs such as workers' compensation and other costs that are directly related to payroll.

The elimination of tip credit could be a catastrophe for our industry. I respectfully ask that you oppose H 7531. Thank you for your consideration.

Sincerely,

David Smiley
Exeter RI