

Senate Finance Chair Griffith and Committee Members
Maryland State House
Annapolis, MD

Dear Chair Griffith and members of the Senate Finance Committee,

I would like to submit the thoughts I was unable to give during the hearing for SB0803 due to a technical error prematurely ending the hearing.

My name is Erica Payne, I am a Chevy Chase resident, an employer, and a graduate of the MBA program at the Wharton School at UPenn. I spent more than a decade in the restaurant business. I am the president and founder of the Patriotic Millionaires, a national group of business leaders and investors with thousands of employees in Maryland. Our members are deeply concerned about the destabilizing level of economic and political inequality in the country, the root cause of our current social unrest. Inequality in America is at the highest level it has been in 100 years. The pandemic and inflation made a bad situation worse. But the real drivers of inequality are government policies around wages and taxes.

I am writing today on behalf of the Patriotic Millionaires to emphasize our support for two policies currently being considered by the Maryland legislature. The first is SB0555 Fair Wage Act of 2023. The second is SB0803, the elimination of the subminimum-tipped wage.

As I said during my testimony in support of SB0555, the economic philosophy behind raising the minimum wage and indexing it to inflation is simple. When working people clock out they become customers. When business owners keep wages too low, they destroy the state's customer base. If business is the engine of American prosperity, consumer demand is the gas, and an adequate minimum wage does two things - it connects business prosperity to the prosperity of individual people, stabilizing the whole society - and it ensures businesses a stable level of aggregate demand.

I am also urging you to look past the smoke screen that was thrown up around SB0803 by the National Restaurant Association (NRA) using restaurant owners, business interest groups, and some tipped employees, mostly from more expensive or high-traffic restaurants, including several from the Silver Diner chain, around the tipped minimum wage. "[Underhanded and unscrupulous](#)" were the words Sen. Elizabeth Warren recently used to describe "the other NRA." In the last month, multiple lawmakers, including House Minority Leader Hakeem Jeffries, have returned NRA political contributions after revelations of their dishonesty were splattered across the [front page of the New York Times](#).

During the hearing, they trotted out workers who distracted from the broader realities of the restaurant industry by telling you how they personally usually made well above \$15 an hour per

shift and how they had employers who took care of them. They also featured restaurant owners who raised fears about “service charges” killing tipping culture in the US.

“Anecdota,” like the testimony you heard from those service workers, is fine, but real data is better. No one has ever disputed that many people working in tipped industries can make a good wage. Restaurants that have lots of traffic with quick table turnover, high-end restaurants where bills are high, restaurants that serve alcohol which drives up bill totals and tipping, etc., can all be great places to earn a living on tips. But the real data tells us that not all restaurant jobs are equal, and not all demographics are treated equally in the industry.

The tipped-minimum wage is a legacy of slavery that is continuing to harm people of color, and we must eradicate it from our state laws. Black women in front-of-house jobs make, on average, \$12,875 less per year in tips than their white male counterparts partially due to individual racial biases in tipping and partially due to hiring bias that pushes them towards more casual restaurants where tips are lower. While it is true that, technically speaking, the law says restaurants are supposed to ensure that the full minimum wage is met if tips do not cover it, that does not work in practice. Restaurant workers are [twice as likely](#) to live in poverty and rely on food stamps as their non-tipped peers because more than [1 in 10 tipped workers](#) report wages below the minimum, and a Department of Labor survey found that [84% of restaurants surveyed](#) were engaged in wage theft. What is an employee in an at-will employment state like Maryland able to do? It is easy, thanks to the subminimum wage, for restaurant workers to hide wage theft, and complaining will only get you fired or ensure that your Saturday dinner shift gets swapped for a Wednesday lunch.

Eliminating the tipped-minimum wage might not be good for the National Restaurant Association, but it is good for restaurants. The seven states that have implemented one fair wage have seen [faster average restaurant industry growth, higher restaurant sales per capita, faster full-service restaurant employment growth, and equal average levels of tipping to states with a sub-minimum wage](#) which results in overall better take-home pay for workers.

Just ask Denny’s CEO, who [told shareholders](#), “As they’ve increased their minimum wage...California has outperformed the system. They had six consecutive years of positive guest traffic—not just positive sales, but positive guest traffic—as the minimum wage was going up.”

That’s because more money for workers means more customers for restaurants with more money to spend. Leaving the tipped workforce earning less than the minimum wage significantly weakens the policy’s positive economic impact.

We should also think about why restaurant owners are threatening service charges. When food costs go up, alcohol becomes more expensive, gas for the delivery trucks gets pricier, or any other expenses increase, restaurants do not create line item charges. Instead, they just raise menu prices accordingly. “Service charges” are nothing more than a tool to try and turn public



opinion against workers for having the audacity to ask for a living wage, and the legislature should not cave to these bullying tactics. If we want to protect tipped workers in our state, who are disproportionately women and people of color, and jumpstart our economy, the only way to do it is to eliminate the sub-minimum wage for tipped workers.

The tipped minimum wage is racist and it is sexist. Refusing to change it is an endorsement of sexism and racism. Refusing to change it when Maryland has just elected its first Black governor on the promise of leaving no one behind - is frankly appalling.

With what is left of this session, we hope you will act quickly to pass both of these bills or combine them into one bill that lifts up all workers.

Sincerely,

Erica Payne
President & Founder, Patriotic Millionaires